REPORT

OF THE THIRD MEETING OF THE
FOLLOW-UP COMMITTEE OF THK COMCEC

Istanbul, 20-21 April 1987

COMCEC Coordination Office
Ankara, April 1987
ADDRESS:

COMCEC Coordination Office

Necatibey Cad. 108
Ankara-Turkey

Tel : (4) 230 97 32
Tlx : 421 10 DPT TR
Tlfax : 229 04 50
# TABLE OF CONTENTS

Report of the Third Meeting of the Follow-up Committee of the Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Conference ........................................... 5

## ANNEXES

I. List of Participants of the Third Meeting of the Follow-up Committee of the COMCEC ........ 23

II. Message of H.E. Kenan EVREN, President of the Republic of Turkey, Chairman of the COMCEC ... 33

III. Message of H.E. Turgut ÖZAL, Prime Minister of the Republic of Turkey, Alternate Chairman of the COMCKC ......................................................... 35

IV. Inaugural Speech by H.K. Kaya KRDKM, Minister of State, Deputy Prime Minister of the Republic of Turkey, Chairperson of the Follow-up Committee ......................................................... 37

V. Message of H.E. S.S. PIRZADA, Secretary General of the Organization of the Islamic Conference ................................................................. 43

VI. Agenda of the Third Meeting of the Follow-up Committee of the COMCEC .................. 49

VII. Report of the General Secretariat of the OIC on the Progress Achieved since the Second Meeting of the Follow-up Committee of the Standing Committee for Economic and Commercial Cooperation ............................................... 51

VIII. Progress Report by the COMCKC Coordination Office ............................................. 65
IX. Progress Report by the IDB:
   a) Longer Term Trade Financing Mechanism . . . . 83
   b) Multilateral Islamic Clearing Union.... . . . 93
   c) Export Credit Guarantee Scheme........111

X. Working Paper on the Proposal for a Scheme to Strengthen Cooperation Among the OIC Member Countries in the Field of Technical Assistance. .............................................125

XI. Text of Presentation By Mr. Yaşar YAKIŞ, Chairman of the Task Force Meeting on "A Trade Preferential System Among the OIC Member Countries". ..............................................137

XII. A Preliminary Text for a Draft Declaration on the Establishment of a Trade Preferential System among the OIC Member States. .......... 143

XIII. Text of Presentation By Mr. Yaşar YAKIŞ, Chairman of the Task Force on "Trade Information Network Among the Member Countries of the OIC".................................147

XIV. Progress Report by the ICDT.....................153

XV. Progress Report by the SESRTCIC.............. 161

XVI. Draft Agenda of the First Ministerial Meeting on Transport and Communications. ....................171

XVII. Draft Agenda of the Third Session of the COMCEC. .....................................................173

XVIII. Closing Statement by H.E. Kaya ERDEM, Minister of State, Deputy Prime Minister of the Republic of Turkey, Chairman of the Follow-up Committee .................................................175
REPORT

OF THE THIRD MEETING OF THE FOLLOW-UP COMMITTEE OF THE COMCEC

1. The Third Meeting of the Follow-up Committee of the Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Conference (COMCEC) was held in Istanbul on 20-21 April, 1987 (21-22 Shaban 1407).

2. The Meeting was attended by the following Members of the Follow-up Committee:

   - Republic of Turkey
   - Islamic Republic of Pakistan
   - Kingdom of Saudi Arabia
   - Palestine
   - Hashemite Kingdom of Jordan

3. The Meeting was also attended by H.E. Tan Sri Abdul Rahman Jalal to represent the General Secretariat and by the representatives of the following affiliated and subsidiary organs of the OIC:
- The Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRTCIC)

- The Islamic Chamber of Co-operation, Industry and Commodity Exchange (ICCICE)

- The Islamic Centre for Development of Trade (ICDT)

- The Islamic Development Bank (IDB)

- The Islamic Research and Training Institute (IRTI)

- The Islamic Foundation for Science, Technology and Development (JFSTAD)

- The International Association of Islamic Banks (IAJB)

- The Federation of Consultants from Islamic Countries (FCIC)

The Association of Development Finance Institutes in Member Countries of the Islamic Development Bank (ADFIMI)

4. The representative of the United Nations Economic Commission for Europe was present* as observer.

(The list of participants is attached as Annex I.)

5. The Meeting was inaugurated by H.E. Kaya ERDEM, Minister of State, Deputy Prime Minister of the Republic
of Turkey, in his capacity as the Chairman of the Follow-up Committee of the COMCEC.

6. H.E. Kenan EVREN, President of the Republic of Turkey and Chairman of the COMCEC, in a message addressed to the Meeting, expressed his pleasure in observing tangible achievements by the COMCEC and the Follow-up Committee which were also endorsed by the Fifth Islamic Summit. He expressed his confidence that after the implementation of the Longer-Term Trade Financing Scheme within the Islamic Development Bank, other projects of economic cooperation under consideration by the COMCEC would be realized with similar efficiency. He finally expressed his best wishes for the success of the meeting.

(The text of the message of H.E. Kenan EVREN is attached as Annex II.)

7. H.E. Turgut ÖZAL, Prime Minister of the Republic of Turkey and Alternate Chairman of the COMCEC, also addressed a message to the Meeting welcoming the delegates. He conveyed the profound pleasure of the People and Government of Turkey in hosting the Third Meeting of the Follow-up Committee. He expressed satisfaction in observing the rapid progress that has been achieved in the implementation of the resolutions of the COMCEC, especially in the field of
trade and commended the growing role played by the Islamic Development Bank in this respect. Expressing his confidence that the Follow-up Committee would succeed in drawing up a realistic agenda for the forthcoming ministerial meeting on transport, communications and tourism, which would certainly initiate feasible projects in this important sector, he wished success to the Committee.

(The text of the message of H.E. Turgut ÖZAL is attached as Annex III.)

8. The Committee was then addressed by H.E. Kaya ERDEM, Chairman of the Follow-up Committee. H.E. Kaya ERDEM expressed great pleasure in the remarkable progress achieved under the auspices of the COMCEC since its First Session in 1984, which was noted with satisfaction at the Fifth Islamic Summit Conference. In this context, he noted with appreciation that the highest decision-making body of the OIC fully recognized the competence of the COMCEC in the implementation of the OIC Plan of Action, which was enhanced by the invaluable assistance provided by the Follow-up Committee.

In relation to the items on the agenda of the Committee, be emphasized the significance of the establishment of a Trade Preferential System and a Trade Information Network among the Member Countries as
important projects likely to be realized in the near future, and commended the efforts being exerted by the Meaber Countries and related OIC organs for the completion of the necessary preparations. He wished every success to the Committee and an enjoyable stay in Turkey to the delegates.

(The text of the inaugural speech by H.E. Kaya ERDEM is attached as Annex IV.)

9. H.E. Tan Sri Abdul Rahvan Jalal, Assistant Secretary General of the OIC read the message of H.K. S.S. PIRZADA, Secretary General of the OIC, in which he expressed profound gratitude to H.E. Kenan EVREN, President of the Republic of Turkey for his continued personal interest in the implementation of the OIC Plan of Action and wise guidance in promoting economic and commercial cooperation among the Meaber States.

He observed that the decisions of the Fifth Islamic Suraat Conference would lend impetus to the activities of the COMCEC and increase the economic and commercial contacts among the Member States. In this context, he underlined the satisfaction of the Fifth Islamic Summit over the IDB's efforts in the establishment of the Longer Term Trade Financing Scheme. He expressed hope that this meeting of
the Follow-up Committee would be able to adopt concrete recommendations on the important subjects on its Agenda.

(The text of the message of H.E. S.S. PIRZADA is attached as Annex V.)

10. Statements were also made by the Heads of the Delegations of the Kingdom of Saudi Arabia, the Hashemite Kingdom of Jordan, the Islamic Republic of Pakistan and Palestine.

In their statements, the Heads of the Delegations thanked the President, the Government and the people of Turkey for their continuing interest in fostering economic cooperation among the OIC Member Countries. They pointed out the significance of the directives and principles contained in the messages of the Chairman and the Alternate Chairman of the COMCEC. They appreciated the efforts of the COMCEC to strengthen economic cooperation among the Member Countries in the face of deteriorating world economic conditions. Referring to the importance of the items on the Agenda, they commended the valuable contributions made by the IDB, the ICDT and the SESRTCIC.

11. After having adopted its agenda, the Follow-up Committee established an open-ended Drafting Committee under the Chairmanship of the Rapporteur.
12. Under Agenda item 3, H.E. Tan Sri Abdul Rahman Jalal, Assistant Secretary General of the OIC, presented a summary of a detailed report on the status of implementation of the resolutions adopted since the Second Meeting of the Follow-up Committee of the COMCEC.

He made reference to the endorsement by the Fifth Islamic Summit Conference of the activities of the COMCEC. In this regard, he underlined the Summit's approval of the procedure requiring the subsidiary and affiliated agencies and other bodies of the OIC in the economic field to present regular progress reports to the COMCEC. He also mentioned that the Summit welcomed the proposal for cooperation between the COMCEC and the Standing Committee for Scientific and Technological Cooperation of the Organization of the Islamic Conference (COMSTECH) in areas of cooperation interest to Member States.

13. Under Agenda item 4, the Committee considered a Progress Report submitted by the COMCEC Coordination Office on the progress achieved under the auspices of the COMCEC in
three of the six priority areas as determined by the Fourth Islamic Summit Conference.

The Committee noted with satisfaction that, as agreed at its Second Meeting in September 1986, a Progress Report on the work of the COMCEC was submitted to the Summit which endorsed its activities and resolutions. In this connection, the Committee welcomed the offer made by the Government of The Islamic Republic of Pakistan to host the Third Ministerial Conference on Food Security and Agricultural Development.

(The text of the Progress Report presented by the COMCRC Coordination Office is attached as Annex VIII.)

14. Under Agenda item 5, the representative of the IDB presented a Progress Report on the implementation of the financial measures for the promotion of intra-OIC trade, as adopted at the First Session of the COMCEC in November 1984.

a) In relation to the establishment of a Longer-Term Trade Financing Scheme within the IDB, the Committee noted with great satisfaction that 17 Member Countries had, so far, pledged a total amount of ID 120.5 million which far exceeded the required minimum amount. The Scheme would be able
to commence its financing operations as soon as at least ten participating countries have paid their respective first installments.

The Committee was informed that the IDB is planning to organize a series of workshops on the Longer Tera Trade Financing Scheme to assess the trade potentialities of the Member Countries in this regard and to ensure a continuous flow of information. Exporters and relevant government officials are to be invited to take active part in these workshops.

b) In relation to the establishment of a Multilateral Islamic Clearing Union, the Committee recommended that the IDB should continue with its studies.

c) As regards to the establishment of a Regional Export Credit Guarantee Scheme, the Committee was informed that the IDB was preparing a feasibility study that is expected to be completed in time for the Bank to present it to the Third Session of the COMCEC.

The Committee noted with satisfaction that the Agreement for the Promotion, Protection and Guarantee Investments has now been signed and ratified by nine
Member Countries. The Committee took the opportunity to urge all other countries to sign and ratify the Agreement, in question as hood as possible. It was also noted that the establishment of the Export Credit Guarantee Scheme may require the modification of the relevant provisions of the Agreement.

(The texts of the Progress Reports presented by the IDB are attached as Annex IX.)

15. Under Agenda item 6, the Committee was informed of a working paper prepared by the COMCEC Coordination Office containing a proposal in order to expand the scope of technical cooperation within the framework of the Technical Assistance Programme of the IDB.

In this context, the IDB is requested to undertake an evaluation of the different aspects of the existing programme to achieve this objective.

(The text of the Working Paper presented by the COMCEC Coordination Office is attached as Annex X.)

16. Under Agenda item 7, the Committee was presented a report by the Chairman of the Task Force on "A Trade Preferential System Among the Member States" convened on 25-27 October 1986 in Izmir, informing the Committee about the recommendations of the Task Force and the subsequent
developments. The ICDT also presented a report on the background of the subject.

The Committee decided that the ICDT, in close cooperation with the TDB and the OIC General Secretariat, will continue with its study to develop and finalize the Draft Agreement on the Trade Preferential System to be established among the Member Countries.

The Committee noted that the OIC General Secretariat was examining the Draft Agreement, which will be forwarded to the Member States. The Committee requested the Member States to communicate their comments expeditiously on receipt of the Draft Agreement on the establishment of a Trade Preferential System among the Member Countries so that it would be submitted to the COMCEC as soon as possible for consideration and follow-up action.

The Committee noted, in this regard, the need for issuing a Declaration before launching negotiations on the proposed System. It therefore recommended that a Draft Declaration on the establishment of a Trade Preferential System among the Member Countries be prepared and submitted by the ICDT to the Third Session of the COMCEC for consideration.
(The text of the Report presented by the Chairman of the Task Force and a preliminary text for a Draft Declaration presented by the COMCEC Coordination Office to the Committee are attached as Annexes XI and XII, respectively.)

17. Under Agenda item 8, the Chairman of the Task Force on "Trade Information Network Among the Member Countries of the OIC", convened on 21-23 October 1986 in Izmir, presented a report to the Committee.

The Chairman of the Task Force informed the Committee that the Task Force Meeting had assigned the ICDT with the task of revising the feasibility study on the establishment of a Trade Information Network Among Islamic Countries. In his Progress Report on this subject the representative of the ICDT informed the Committee that a set of three questionnaires had been circulated to the Member Countries asking information on the existing computer capacities and facilities, telecommunication facilities and on trade information uses and needs. The ICDT was to prepare a revised feasibility study, making use of the comments contained in responses to these questionnaires, which was planned to be discussed by an Ad Hoc Experts Contact Group. The meeting of this Contact Group, however, had to be
postponed due to the delays in the receipt of the responses of the Member Countries.

The Committee was informed in this connection that the IBB was assigned by the COMSTEC in its Third Meeting with the task of establishing an Information Network Among the Member Countries.

The Committee agreed that, in fulfillment of its mandate to prepare the revised version of the feasibility study, the ICDT should work in cooperation with the IDB to avoid duplication.

(The text of the Report presented by the Chairman of the Task Force is attached as Annex XIII.)

18. Under Agenda item 9, the ICDT presented a Progress Report. In addition to points contained in paragraphs 16 and 17 above, the Representative also informed the Committee that a meeting of the Representatives of Export Promotion Centres of the Member Countries will be held from 8-10 June 1987 in Tangiers (Morocco) and that the Arab Republic of Egypt proposed to host the Third Islamic Trade Fair which is planned to be held in October 1988.

(The text of the Progress Report by the ICDT is attached as Annex XIV.)
19. Under Agenda item 10, the Representative of the Ankara Centre (SESRTCIC) presented a Progress Report on various studies and activities being carried out by the Centre. In this connection, the Follow-up Committee commended the Centre for its on-going contributions to the wide-ranging COMCEC activities in overall economic cooperation and in the priority areas of trade, industry, agriculture, transport and communications, energy and of money and finance. It was noted with satisfaction by the Committee that the Centre's study on the compendium of past OIC resolutions on economic subjects was in the final stage of completion and that it would be presented to the Third Session of COMCEC in September 1987. It was noted with particular appreciation that the Centre would also present a number of studies to the First Ministerial Meeting on Transport and Communications to be held concurrently with the Third Session of the COMCEC.

(The text of the Progress Report presented by the SESRTCIC is attached as Annex XV.)

20. Under Agenda item 11, the proposed Draft Agenda for the First Ministerial Meeting on Transport and Communications was approved by the Committee with some Modifications.
21. Under Agenda item 12, the proposed Draft Agenda for the Third Session of the COMCEC was approved by the Committee with minor Modifications.

22. In his closing statement, H.E. Kaya ERDEM expressed pleasure in observing that the constructive recommendations Made in relation to the ongoing studies provided a new impetus and perspective to the activities of the COMCKC. He concluded by expressing his hope that this would further strengthen the cooperation among the Member Countries.

23. At the conclusion of the deliberations of the Committee, the Heads of the Delegations of the Member Countries of the Committee expressed their deep gratitude to the Government and the people of the Republic of Turkey for hosting the Third Meeting of the Follow-up Committee of the COMCEC and for the generous hospitality extended to the
delegates. They congratulated the Chairman for the effective Banner in which he had chaired the Meeting. They also thanked the Coordination Office for the COMCEC for the excellent arrangements and preparations made for the success of the Meeting.

24. The Committee requested the Chairman to send messages on its behalf to H.K. Kenan EVREN, President of the Republic of Turkey and Chairman of the COMCEC, and to H.E. Turgut ÖZAL, Prime Minister of the Republic of Turkey and Alternate Chairman of the COMCEC. In these Messages, the Committee expressed its feelings of gratitude to H.E. Kenan EVREN and to H.E. Turgut ÖZAL for their support and guidance which had ensured the success of the Meeting and for the sincere welcome and most generous hospitality accorded to the delegates during their stay in Turkey.

25. The Committee was informed that the Fourth Meeting of the Follow-up Committee was scheduled to be held in May 1988 in Turkey.

26. Finally, the Committee adopted its Report together with its Annexes.
ANNEXES
LIST OF PARTICIPANTS

TIE THIRD MEETING OF THE FOLLOW-UP COMMITTEE
OF THE COMCEC

Istanbul, 20–21 April 1987

HASHEMITE KINGDOM OF JORDAN

- H.E. Dr. Ziad FARIZ
  Undersecretary for the Ministry of Planning

- H.E. Hani TABBARA
  Ambassador to Ankara

- Dr. Fayez TARAWNEH
  Economic Adviser to the Prime Minister

ISLAMIC REPUBLIC OF PAKISTAN

- H.E. M.A.G.M. AKHTAR
  Secretary, Economic Affairs Division

- Mr. M. Jamil ERICKZADA
  Joint Secretary, Ministry of Commerce
ANNEX I  
to OIC/COMCEC-FC/3-87/REP

- Mr. Tariq Farouq MIRZA  
  Director (OIC), Ministry of Foreign Affairs
- Mr. Khalid MAHMOOD  
  Counsellor, Embassy of Pakistan, Ankara
- Mr. Tariq Iqbal PURI  
  Consul General of Pakistan, Istanbul

PALESTINE

- Dr. Mohammed Al NAHHAI.  
  Economic Adviser

KINGDOM OF SAUDI ABABIA

- H.E. Osama Jafar FAQUIH  
  Deputy Minister of Finance and National Economy
- Mr. Abdullah Abdulvahab AL-NAFESAH  
  Economic Researcher
- Mr. Khaled AL-IBRAHIM  
  Economic Researcher
ANNEX I

to OIC/COMCEC-FC/3-87/REP

REPUBLIC OF TURKEY

- H.E. Kaya ERDEM
  Minister of State and Deputy Prime Minister,
  Chairman of the COMCEC Follow-up Committee

- Mr. I. Hakkı BATUK
  Economic and Financial Adviser
  to the President of the Republic

- Mr. Yalçın TUG
  Minister Plenipotentiary,
  Special Adviser to the Minister of State and
  Deputy Prime Minister.

- Mr. Gazi ERÇEL
  Director General, for Foreign Economic Relations,
  Undersecretariat of Treasury and Foreign Trade,
  Prime Ministry

- Mr. Hayrettin BAYTAS
  Adviser to the Minister of Transport

- Mr. Halim USER
  Deputy Director General for Industry,
  Ministry of Industry and Trade

- Mr. Bilge CANKOREL
  Director of Department for International Social
  and Technical Organizations, Ministry of
  Foreign Affairs
ANNEX I

to OIC/COMCEC-FC/3-87/REP

- Mrs. Gaye GÜRPINAR
  Director of Department for External Relations, Ministry of Agriculture, Forestry and Rural Affairs

- Mr. Hüseyin SAK
  Director of Department for Multinational Organizations, Undersecretariat of Treasury and Foreign Trade, Prime Ministry

- Dr. Kemal SAĞLAM
  Deputy General Manager for Banking, Central Bank

- Mr. Feray ÖZVERİM
  Manager for Capital Markets, Central Bank

- Mr. Osman ASLAN
  Special Adviser to the Minister of State and Deputy Prime Minister

- Mr. Birkan ERDAL
  Director of the Department of Publicity and Promotion, Export Promotion Centre, Undersecretariat of Treasury and Foreign Trade, Prime Ministry

- Mr. Can ÖNDER
  Third Secretary, Department for International, Social and Technical Organizations, Ministry of Foreign Affairs

- Mrs. Serpil VAROL
  Deputy Head of Section, Department for External Relations, Ministry of Culture and Tourism
ANNEX I
to OIC/COMCEC-FC/3-87/REP

- Miss Erksan ERASLAN
  Expert, Directorate General of Agreements, Undersecretariat of Treasury and Foreign Trade, Prime Ministry

OTHER TURKISH OFFICIALS

Ministry of Agriculture, Forestry and Rural Affairs

- Mr. Necati GÜLBAHAR
  Expert

- Mr. Rifat ÖNAL
  Expert

Ministry of Transport and Communicatious

- Miss Simin ALTINOK
  Expert

- Mrs. Nuray ÖZKAN
  Expert

Undersecretariat of Treasury and Foreign Trade, Prime Ministry

- Mr. Necdet ŞENELT
  Expert
ANNEX I
to OIC/COMCEC-FC/3-87/REP

- Miss Sebla MUTLUKUL
  Assistant Expert

Turkish Cement Manufacturers' Association

- Mr. Faruk YAGIZ
  Chairman

- Mrs. Çağlan BECAN
  Expert

COMCEC COORDINATION OFFICE

- Dr. Yusuf Bozkurt ÖZAL
  Undersecretary of State for State Planning Organization Chief Executive of the COMCEC Coordination Office

- Mr. Yaşar YAKIŞ
  Minister Plenipotentiary, Head of the COMCEC Coordination Office

- Mr. Celal AHMANGİL
  Deputy Head of the COMCKC Coordination Office

- Mrs. Nurhan MACUN
  Deputy Head of the COMCEC Coordination Office

- Mr. Mustafa ŞİRİN
  Deputy Head of the COMCEC Coordination Office
ANNEX I

to OIC/COMCEC-FC/3-87/REP

- Mrs. Nebil TAYŞİ
  Expert

  Dr. İnci AK
  Expert.

- Mrs. Nurdan DOKUZOGUZ
  Expert

- Mr. Ferruh TIGLI
  Coordinator for the Documentation Services

O I C  O R G A N S  A N D  I N S T I T U T I O N S

GENERAL SECRETARIAT OF THE ORGANIZATION OF THE ISLAMIC CONFERENCE (OIC)

  H.E. Tan Sri Abdul Rahman JALAL
  Assistant Secretary General

STATISTICAL, ECONOMIC AND SOCIAL RESEARCH AND TRAINING CENTRE (SESRTCIC – Ankara)

  - Dr. Sadi CINDORUK
    Director

  - Dr. İlhan UGUREL
    Senior Economist
ANNEX I

to 0IC/COMCEC-FC/3-87/REP

- Mr. Oker GÜRLER
  Economist

**ISLAMIC CENTRE FOR DEVELOPMENT OF TRADE (ICDT - Casablanca)**

- Mr. Zine El Abidine HOUKI
  Assistant Director

**ISLAMIC DEVELOPMENT BANK (IDB - Jeddah)**

- Mr. Abdurrahman N. HERSI
  Adviser to the Bank

- Prof. Dr. Korkut ÖZAL
  Director, IRTI

- Dr. Assibi O. ABUDU
  Coordinator, Economic and Policy Planning Department

- Dr. Ahmet Helmy Abd-Al-GHANY
  Head of the Information Centre, IRTI

- Mr. Seif Eldin Ahmed A. ABBARO
  Expert, Technical Cooperation Programme

- Dr. Riddab SAADALLAH
  Economic Researcher
ANNEX I
to OIC/COMCEC-FC/3-87/REP

ISLAMIC CHAMBER OF COMMERCE, INDUSTRY AND COMMODITY EXCHANGE
(ICCICE - Karachi)

- Mr. Syed Nasir Ali MİRZA
  Economic Adviser

ISLAMIC FOUNDATION FOR SCIENCE, TECHNOLOGY AND DEVELOPMENT
(IFSTAD - Jeddah)

- Mr. Mohamed Ali TOURE
  Senior Officer

OBSERVERS

INTERNATIONAL ASSOCIATION OF ISLAMIC BANKS (IAIB)

- Dr. Ashraf-Uz-ZAMAN
  Adviser

THE ASSOCIATION OF DEVELOPMENT FINANCE INSTITUTIONS IN MEMBER
COUNTRIES OF ISLAMIC DEVELOPMENT BANK (ADFIMI)

- Mr. Aydemir KOÇ
  Secretary General

FEDERATION OF CONSULTANTS FROM ISLAMIC COUNTRIES (FCIC)

- Mr. Ahmet Rifat BEREKET
  Secretary General
ANNEX 1
to OIC/COMCEC-FC/3-87/REP

- Mr. Yıldırım GELGİN
  Vice Chairman

UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE (ECE)

- Mrs. Ümit ARMANGİL
  Regional Transport Adviser
MESSAGE BY H.E. KENAN EVREN,
President of the Republic of Turkey,
Chairman of the COMCEC

Mr. Chairman,

Distinguished Members of the Follow-up Committee

It gives us a great pleasure to observe that tangible results are achieved by the COMCEC and its Follow-up Committee with a view to strengthen economic cooperation among the Member Countries of the Organization of the Islamic Conference.

I am confident that after the realization of the Longer-Term Financing Facility within the Islamic Development Bank, other projects of economic cooperation under consideration by the COMCEC will be implemented with similar efficiency. The Follow-up Committee will thus preserve its nature of being an important forum in which
projects pertaining to economic cooperation among Member Countries are conceived and take their initial shape.

The Fifth Islamic Summit Conference endorsed the decisions adopted by the COMCEC and I would like to express my thanks to the Follow-up Committee for its important contribution to the results so far obtained.

I wish every success to the distinguished members of the Follow-up Committee in their endeavours at the service of the Member Countries of the Organization of the Islamic Conference.

Kenan EVREN

President of the Republic of Turkey
Chairman of the COMCEC
MESSAGE BY H.E. TURGUT ÖZAL,
Prime Minister of the Republic of Turkey,
Alternate Chairman of the COMCEC

Mr. Chairman,

Distinguished Delegates,

I am happy to welcome you in Turkey and to convey the profound pleasure of the People and Government of Turkey in hosting the Third Meeting of the Follow-up Committee of the COMCEC.

I would like to express my great pleasure and deep satisfaction in observing the rapid progress that has been achieved in the implementation of COMCEC resolutions, especially in the field of trade among the OIC Member Countries. The growing role that the Islamic Development Bank plays to strengthen economic relations among Member Countries is another source of satisfaction for me.
I am confident that the Follow-up Committee will draw up a realistic agenda for the forthcoming meeting of the COMCEC, which will be held concurrently with the Ministerial Meeting on transportation, communications and tourism in Istanbul, on 7-10 September 1987. The agenda items that you will determine will lead to the initiation of new projects in this important area of economic cooperation. Transportation and telecommunication facilities are very important for the promotion of trade and cultural relations among the Member Countries.

I wish the distinguished members of the Follow-up Committee success in their important task at the service of the Member Countries of the Organization of the Islamic Conference and a very pleasant stay in Istanbul.

Turgut ÖzAL
Prime Minister of the Republic of Turkey, Alternate Chairman of the COMCEC
INAUGURAL STATEMENT BY H.E. KAYA ERDEM,
Minister of State, Deputy Prime Minister of the
Republic of Turkey, Chairman of the Follow-up
Committee of the COMCEC

Your Excellencies,

Bear Guests,

I would like to reiterate my deep pleasure in seeing you in Turkey again and in hosting the Third Meeting of the COMCEC Follow-up Committee. I am convinced that we shall bring valuable contributions to the economic cooperation among Member States of the OIC.

Your Excellencies,

Distinguished Guests,

As stated at the Fifth Islamic Summit, economic cooperation activities carried out within the framework of the Standing Committee for Economic and Commercial Cooperation of the OIC have yielded extremely concrete
results in a short period of time. I am convinced that these positive developments will persist in the future, and that the economies of the Member States will greatly benefit from them.

The Follow-up Committee which was initially set up to follow-up COMCEC resolutions, plays an important role in the reinforcement of economic cooperation among our countries. The Fifth Islamic Summit, in its resolution on COMCEC activities, has thus expressed its satisfaction in the establishment of the COMCEC Follow-up Committee and in its valuable contribution in the above mentioned field.

Your Excellencies,

Distinguished Guests,

Activities related to the establishment of a Longer Term Trade Financing Mechanism within the IDB have been rapidly finalized. This mechanism will start to operate in the coming months, when Member States will fulfill their stated commitments.

Funds obtained through the "Trust Fund" and "Portfolio Account" recently set up by the IDB,
will increase the resources of the Longer Term Trade Financing Mechanism and greatly contribute to the development of trade among Member States. I would like to take this opportunity to express my gratitude to the Islamic Development Bank for their assistance.

The establishment of a Trade Preferential System which will promote trade among Member States is well under way.

The fundamental principles of the System, agreed upon at the Experts' Group Meeting held last October in Izmir, served as guidelines to the Islamic Centre for Development of Trade in their elaboration of a Draft Agreement.

The operation of this system will constitute an important step in the development of trade among the Member States.

Distinguished Delegates and Friends,

You all know very well that the establishment of a Trade Information Network is an important factor in the promotion of trade among Member Countries. A. Trade Information Network will support all systems that serve to
promote economic and commercial cooperation among Member States and improve efficiency. The feasibility study prepared by the Islamic Centre for Development of Trade was reviewed at the Experts' Group Meeting in October, 1986.

The coordination of technical assistance activities among Member States is another important subject to be taken up at this Meeting.

Through a set of measures to be taken, consultancy firms of our countries would have a better chance to win the tenders of technical assistance projects to be implemented in the less developed Member Countries.

Dear Guests,

Distinguished Delegates,

As you will all remember, COMCEC held its First Session in November 1984, concurrently with the Meeting of the Ministers of Industry, and its Second with the Meeting of the Ministers of Agriculture in March 1986.

With a view to initiate cooperation activities in other fields contained in the Plan of Action adopted
during the Third Islamic Summit Conference, namely in
the fields of transport, communications and tourism, the
Third Session of the COMCEC will be held in Istanbul on
7-10 September, 1987 concurrently with the First
Ministerial Meeting on Transport, Communications and Tourism

Thus, a new field of cooperation paving the
way for the development of economic and trade
cooperation among Member States will be opened. I am
convinced that in the near future new and important
opportunities for cooperation will arise, leading to
beneficial results.

Distinguished Delegates,

Dear Guests,

I would like to take this opportunity to thank you
once more for your valuable contributions up till now and to
wish that the Third Meeting of the Follow-up Committee of
the COMCEC be beneficial to all OIC Member Countries.

Kaya ERDEM
Minister of State
Deputy Prime Minister
ORGANISATION OF ISLAMIC CONFERENCE


Istanbul, Republic of Turkey
April 20-22, 1987
STATEMENT OF HIS EXCELLENCY SYED SHARIFUDDIN PIRZADA, 
SECRETARY GENERAL OF THE ORGANIZATION OF THE ISLAMIC 
CONFERENCE AT THE THIRD MEETING OF THE FOLLOW-UP 
COMMITTEE OF THE STANDING COMMITTEE FOR ECONOMIC AND 
COMMERCIAL COOPERATION

Istanbul, Republic of Turkey
April 20-22, 1987

Excellency Mr. Kaya ERDEM
Chairman of the Follow-up Committee,
Excellencies, and
Distinguished Delegates,

Assalamu Alaikum Wa-Rahmatullahi Wa-Barakatuh

It is a great pleasure for me to address the
Third Meeting of the Follow-up Committee of the Standing
Committee for Economic and Commercial Cooperation of the
Organization of Islamic Conference. On behalf of the
Organization of the Islamic Conference I would like to
express our profound gratitude to His Excellency
President Kenan Evren of the Republic of Turkey, the
Chairman of the Standing Committee for Economic and
Commercial Cooperation for his continued personal
interest in the implementation of the OIC Plan of
Action to Strengthen Economic Cooperation and his
abiding commitment to the socio-economic progress
of the Islamic States through increased contacts and
cooperation among them in the economic sphere. We are
also grateful to the Government of the Republic of
Turkey for convening this meeting, for the excellent arrangements made for it and for the traditional warm hospitality extended to the participants.

Mr. Chairman,

The Standing Committee for Economic and Commercial Cooperation has, since its establishment in pursuance of a decision of the Third Islamic Summit, played an effective role in strengthening and expanding cooperation and collaboration among the Member States of the OIC in the economic field. COMCEC has centred its activities on ensuring the implementation of the OIC Plan of Action to Strengthen Economic Cooperation among Member States. The two sessions of COMCEC held in November 1984 and March 1986 have achieved encouraging success in translating the broad outlines of the Plan into concrete programmes and projects of mutual cooperation and prompted the Member States to adopt measures to boost their economic and commercial exchanges. The Follow-up Committee of COMCEC, established in November 1984, has vitally contributed to this process.

The Fifth Islamic Summit Conference, held in Kuwait in January this year, adopted several important decisions which are expected to lend impetus to the activities of the Standing Committee. The Summit approved a number of measures for increasing the volume
and quantum of economic and commercial contacts among Member States.

Mr. Chairman,

The Agenda of this meeting of the Follow-up Committee includes a number of important subjects, such as the Longer Term Trade Financing Scheme, Multilateral Islamic Clearing Union and Export Credit Guarantee Scheme which have been initiated by the Islamic Development Bank and Trade Preferential System and the establishment of Trade Information Network as well as coordinated efforts in the field of technical assistance within the OIC. All these subjects are of fundamental importance in the context of the implementation of the Plan of Action. The Fifth Islamic Summit had expressed particular satisfaction over the invaluable efforts exerted by the Islamic Development Bank for the establishment of the Longer Term Trade Financing Scheme aimed at the promotion of non-traditional exports among Member States of the OIC and noted with appreciation the establishment of the Scheme under the I.D.B. The Summit had called upon Member States to complete the necessary formalities pertaining to their participation in the Scheme and urged them to contribute to the capital of the I.D.B. so as to enable it to perform its role for the benefit of the Member States.
The Multilateral Islamic Clearing Union and Regional Export Credit Guarantee Scheme are also very important in the context of efforts to expand commercial context. Similarly the Task Force on the Trade Preferential System among the member countries of the OIC is expected to facilitate a significant breakthrough in expanding commercial contacts and cooperation among the Member States of the OIC. The establishment and effective functioning of Trade Information Networks will also be very helpful in the realisation of this objective.

Technical cooperation is indispensable for the socio-economic development of the Islamic World. The Coordination Office of COMCEC had prepared a Working Paper which has since been examined by the I.D.B. We hope this meeting will carefully and positively examine the recommendations contained in the Working Paper on the subject which has been circulated.

I hope that this meeting will be able to adopt concrete recommendations on the subjects included in its Agenda for further consideration by the Third Session of the Standing Committee for Economic and Commercial Cooperation scheduled to be held in September 1987. I pray for the success of your endeavours.
AGENDA OF THE THIRD MEETING OF THE FOLLOW-UP COMMITTEE OF THE COMCEC

Istanbul, 20–21 April, 1987

1 - Opening Session.
   - Inaugural Statement by H.E. Kaya ERDEM.
   - Statement on behalf of the Secretary General of the OIC.
   - Statements by the Heads of Delegations.

2 - Adoption of the Agenda.

3 - Background Report by the General Secretariat.

4 - Progress Report by the COMCEC Coordination Office.

5 - Progress Report by the IDB.
   - Longer Term Trade Financing Mechanism.
   - Multilateral Islamic Clearing Union.
   - Export Credit Guarantee Scheme.

6 - Working Paper by the COMCKC Coordination Office on the Proposal for a Scheme to Strengthen Cooperation Among the OIC Member Countries in the Field of Technical Assistance.

7 - Report of the Chairman of the Task Force on a Trade Preferential System Among the Member Countries of the OIC.

8 - Report of the Chairman of the Task Force on Trade Information Network Among the Member Countries of the OIC.
9 - Progress Report by the ICDT.
10 - Progress Report by the SKSTHCIC.
11 - Draft Agenda for the First Ministerial Meeting on Transport, Communications and Tourism.
12 - Draft Agenda for the Third Session of the COMCEC.
13 - Any Other Business.
14 Adoption of the Report.
15 - End of the Meeting.
ORGANISATION
OF ISLAMIC CONFERENCE

REPORT OF THE GENERAL SECRETARIAT ON THE PROGRESS
ACHIEVED SINCE THE SECOND MEETING OF THE FOLLOW-UP
COMMITTEE OF THE STANDING COMMITTEE FOR ECONOMIC
AND COMMERCIAL COOPERATION (COMCEC)

Istanbul, Republic of Turkey
April 20-22, 1987
REPORT OF THE GENERAL SECRETARIAT ON THE PROGRESS
ACHIEVED SINCE THE SECOND MEETING OF THE FOLLOW-UP
COMMITTEE OF THE STANDING COMMITTEE FOR ECONOMIC
AND COMMERCIAL COOPERATION (COMCEC)
APRIL 20-22, 1987

The Second Meeting of the Follow-up Committee of the Standing Committee for Economic and Commercial Cooperation (COMCEC) of the Organization of Islamic Conference was held in Istanbul, Republic of Turkey on September 8-10, 1986 (4-6 Moharram 1407H).

2. The Follow-up Committee reviewed the progress of implementation of decisions of the First and Second Sessions of the Standing Committee for Economic and Commercial Cooperation.

The Committee among other things, decided

(i) to invite the Governors of Central Banks and Monetary Authorities of Member States to hold their seventh Meeting on March 30-31, 1987 in Istanbul, Turkey;

(ii) that the First Ministerial Meeting on Transport, Communications and tourism will be held in Turkey in September 1987, concurrently with the Third Session of the COMCEC;

(iii) that the Third Ministerial Consultation on Industrial Cooperation would be held in Turkey in June 1987;

(iv) that the meeting of the Follow-up Committee on Food Security and Agricultural Development will also be held in Turkey in 1987 (December).
3. The Turkish Government has circulated the Report of the Second Follow-up Committee of the COMCEC to the Member States and to all other concerned agencies.

4. The General Secretariat of OIC has also requested the concerned Member States and agencies to follow-up the implementation of the decisions of the Second Session of the Standing Committee for Economic and Commercial Cooperation (COMCEC).

DECISIONS OF THE FIFTH ISLAMIC SUMMIT CONFERENCE

5. The Fifth Islamic Summit Conference, the Session of Islamic Solidarity, held in Kuwait in January 1987, has adopted a comprehensive Resolution (No. 1/5-15) on "Conduct of Activities of the Standing Committee for Economic and Commercial Cooperation" whereby it:

"(i) approved the enlargement of the membership of the Standing Committee for Economic and Commercial Cooperation (COMCEC) so as to enable all Member States of the OIC to participate in the work of the Standing Committee.

(ii) Endorsed the representation of the Member States in COMCEC by Ministers responsible for the overall management of economic affairs in view of the functions entrusted to the Committee, and urged Member States to adhere to this practice to ensure the highest degree of effectiveness.

(iii) Noted with appreciation the establishment of a Follow-up Committee which will ensure effective coordination of the economic and commercial activities coming under the purview of COMCEC."
(iv) Welcomed the decision of the Standing Committee to report its decision to the Islamic Conference of Foreign Ministers, for appropriate action.

(v) Endorsed the recommendations of COMCEC to reduce the frequency of ministerial level meetings which have overlapping implications with COMCEC and to incorporate the results of such meetings into overall work of COMCEC.

(vi) Approved that the subsidiary and affiliated agencies and other bodies of the OIC in the economic field may present progress reports on their activities to CUMCtC in order to enable it to coordinate and follow-up the implementation of the OIC resolutions in these fields in cooperation with the General Secretariat of the Organization of the Islamic Conference.

(vii) Commended the role played by the COMCEC Coordination Office to facilitate its activities.

(viii) Supported the decision of COMCEC urging Member States, who have not yet done so, to sign and/or ratify the statutes and agreements previously approved by the OIC with respect to economic and commercial cooperation, particularly, the "General Agreement for Economic, Technical and Commercial Cooperation among Member States of the Organization of the Islamic Conference" and the "Agreement on Promotion, Protection and Guarantee of Investments in Member States".

6. On the implementation of the Plan of Action to Strengthen Economic Cooperation among the Member States, the Fifth Islamic Summit Conference, has under Resolution No. 3/5-E(IS)

"(i) Requested the Member States to render necessary assistance to the Standing Committee on Economic and Commercial Cooperation and the Standing Committee on
Scientific and Technological Cooperation to expedite the implementation of the Plan of Action in order to strengthen economic and technical cooperation among Member States.

(ii) Welcomed the establishment of the Longer-Term Trade Financing Scheme under the Islamic Development Bank and urged all Member States to participate in this scheme, as soon as possible, to facilitate its optimum utilization.

(iii) Welcomed the offer of the Government of the Islamic Republic of Pakistan to host the Third Ministerial Conference on Food Security and Agricultural Development.

(iv) Noted with satisfaction the holding of the first meeting of the OIC Ministers of Transport and Communications in September 1987, simultaneously with COMCEC-III and decided to convene a meeting of the Group of Experts to consider the possibility of pooling the resources and capacities including maintenance, repair and training services among the aviation companies of Member States."

7. Since Science and Technology is one of the priority areas of the Plan of Action to Strengthen economic Cooperation among Member States, the Fifth Islamic Summit Conference has adopted a Resolution (No. 2/5-E(IS), under Economic Affairs, on the "Standing Committee on Scientific and Technological Cooperation (COMSTECH)" and "(i) Approved the enlargement of the membership of COMSTECH so as to enable all Member States of the OIC to participate in the work of the Standing Committee.

(ii) Commended the desire of interested Member States to establish Inter-Islamic Networks in the following six areas to be financed by the participating States:
(a) Oceanography, with headquarters in Turkey.
(b) Bio-technology, with headquarters in Egypt.
(c) Tropical Medicine, with headquarters in Malaysia.
(d) Water Resources, with headquarters in Jordan.
(e) Space Research Technology and Applications, with headquarters in Pakistan.
(f) Renewable Energy Resources, with headquarters in Pakistan.

and asked IFSTAD to assist in their implementation as proposed by expert group meetings.

(iii) Welcomed the proposal for cooperation between COMSTECH and COMCEC in the areas of common interest to Member States.

(iv) Praised the desire of interested Member States to establish on Islamic Countries Research Activation Agency (ICRAA) to be financed only by the participating Member States with a view to promoting cooperation among Islamic Countries in the advance technology fields and mandated IFSTAD to expedite necessary action on it.

(v) Approved the proposal concerning cooperation aimed at enhancing the scientific and technological capabilities of the least developed Islamic countries. The Summit requested IFSTAD to provide technical assistance in making a survey of the scientific and technological needs of the least developed Islamic countries and to elaborate a scenario for providing assistance to these countries for submission to the OIC Member States wishing to participate in the project. The Summit invited the Secretary-General to provide assistance to this programme.
(vi) Invited the Islamic Development Bank to consider the establishment of an Islamic Information Centre in Jeddah appropriately linked through terminals with Member States of the OIC.

(vii) Requested the Islamic Conference of foreign Ministers to review and adopt appropriate amendments to the Charter of IfSTAD so as to take due consideration of the experience gained and the actual need for cooperation in the fields of science, technology and training among Muslim countries.

(viii) Welcomed the initiative of the Republic of Turkey and the Islamic Republic of Pakistan in opening the facilities of some of their R&D Institutes to other Member States for advice, training and research and expressed the hope that other Member States will also take similar initiatives to increase cooperation among the Member States.

(ix) Expressed concern over the fact that only US$1.34 million (One million three hundred and forty thousand US dollars) have been contributed by Member States to COMSTICHH against the amount of US$25 million (twenty five million US dollars) approved by the fourth Islamic Summit Conference and called upon Member States to provide contributions to enable COMSTICHH to discharge its mandate.

(x) Called upon the Islamic Development Bank to favourably consider requests for funding S & T projects which are eligible under the rules framed for disbursement from the Special fund and expressed its appreciation to the countries that contributed to the financing of the activities of COMSTICHH.
(xi) Requested the Member States to extend all possible moral and material assistance to the Executive Committee of CUMSTECH and IFSTAD to enable them to accelerate the pace of implementation of the CUMSTECH Plan of Action.

8. The General Secretariat has circulated

The Resolutions of the Fifth Islamic Summit Conference to the Member States and all concerned agencies with the request to implement the same.

9. In pursuance of the decisions of the Second Meeting of the follow-up Committee of the COMCEC, the Seventh Meeting of Governors of Central Banks and Monetary Authorities of Member States was held in Istanbul, Republic of Turkey from March 30-31, 1987. The General Secretariat bus circulated the Report to the Member States and all concerned agencies.

10. Progress Report by the Islamic Development bank on:

   (i) Longer-Term Trade financing Scheme;

   (ii) Multilateral Islamic Clearing Union; and

   (iii) Regional Export Credit Guarantee Scheme.

**ITEM No.5**

- it may be recalled that the proposals for the establishment of the above-mentioned Schemes were discussed and approved in principle by the First Session of the Standing Committee for Economic and Commercial Cooperation, and the Islamic Development Bank was given the task of preparing feasibility studies on them.
The Fifth Islamic Summit Conference noted with appreciation the establishment of the Longer-Term Trade Financing Scheme under the Islamic Development Bank and the approval by the Islamic Development Bank of the Regulations and Operational Guidelines of the Scheme. Under Resolution No. 4/5-E(IS), the Fifth Islamic Summit urged Member States to complete the necessary formalities that will enable their participation in the Scheme at an early date. More than the required minimum number of 10 Member countries have already participated in the fund established in the IDB for that purpose.

The Islamic Development Bank submitted reports on Export Credit Guarantee Scheme and Multilateral Islamic Clearing Union to the Seventh Meeting of Governors of Central Banks and Monetary Authorities held in Istanbul from 30-31 March 1987. The Meeting approved, in principle, the recommendations of the IDB. It also noted with satisfaction that the IDB was continuing its work on the project. The recommendations of the IDB regarding the formation of an open ended task force with the aim of conducting studies on Multilateral Islamic Clearing Union was appreciated by the Governors. The Governors recommended that the IDB should continue its work on this project in active coordination with the Central Banks and Monetary Authorities of the Member States.

The Progress Report by the IDB to the Third Meeting of the Follow-up Committee of the COMCEC will also cover the latest developments on these issues.

ITEM NO.6: 11. In pursuance of the decision of the Second Session of the COMCEC, the task Force Meeting on a Trade Preferential System among the Member States was held in Izmir, Republic of Turkey from October 25-27, 1986 to make necessary reviaions in the inventory previously prepared by the islamic Centre for Development of Trade (ICDT). The Task Force agreed on certain principles and guidelines for the establishment of a Trade Preferential System for the OIC
Member States. The ICDT was entrusted to prepare a Draft Agreement for the establishment of such a system in close cooperation with COMCEC Coordination Office and the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRTCIC). The ICDT has, accordingly, prepared the Draft Agreement. The Chairman of the Task Force shall submit a progress report on this item to the follow-up Committee.

12. In accordance with the decision of the Second Session of the COMCEC, the Islamic Centre for Development of Trade (ICDT) convened the meeting of the Task Force on Trade Information Network among Member Countries of OIC in Izmir, Republic of Turkey from October 21-23, 1986 to further elaborate the feasibility study prepared by the ICUT.

The Task Force, while elaborating on the priorities and guidelines for the revision of the study, recommended that the network to be established should be a decentralized one at the levels of both data collection and dissemination, in order to take maximum advantage of the existing capacities within the OIC.

The Task Force agreed that the first draft of the revised version of the feasibility study be reviewed by the Ad-hoc Experts Contact Group, composed of experts from the interested Member States, the ICDT, the IDB, the SESRTCIC, and the Islamic Chamber of Commerce, Industry and Commodity Exchange (ICCICE). The Task Force recommended that the Ad-hoc Experts Contact Group should be convened prior to the Third Meeting of the Follow-up Committee of the COMCEC, and its report and recommendations be submitted to the Follow-up Committee by the Chairman of the Task Force. But due to unforeseen delay in the completion of necessary studies, the meeting of the Ad-hoc Experts Contact Group could not be held. However, the Chairman of the Task Force Meeting shall submit a progress report to the Follow-up Committee on this issue.
13. The Second Meeting of the Follow-up Committee of the COMCEC noted with satisfaction the technical assistance activities undertaken by the OIC Member countries and the ongoing IDB Programme in this field, and asked the Coordination Office of COMCEC to prepare a background paper in cooperation with IDB, with a view to maximizing the benefit of these activities.

The Coordination Office for the COMCEC, accordingly prepared a working paper on this issue and shall submit it to the Third Meeting of the Follow-up Committee of COMCEC for consideration.

14. The first Meeting of the follow-up Committee of the COMCEC assigned the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESTCIC), with the task of preparing an inventory of all the resolutions and ensuing activities pertaining to economic cooperation undertaken by the relevant fora since the establishment of the OIC. The Ankara Centre (SESRTCIC) is elaborating its study in order to develop a systematic and summarized compendium.

The Ankara Centre shall submit a status report on this issue to the Third Meeting of the Follow-up Committee of the COMCEC.

15. In pursuance of the decision of the Second Session of the Standing Committee for Economic and Commercial Cooperation, the First Ministerial Meeting on "Transport, Communications and Tourism" will be held in Istanbul in September 1987, concurrently with the Third Session of the COMCEC.
The Third Meeting of the Follow-up Committee of the CUMCEC may like to consider recommending the items of the Provisional Draft Agenda of this Meeting to the Ministers of Transport, Communications and Tourism. The Draft Agenda, along with a working paper will be circulated to the meeting by the Coordination Office of the COMCEC.

16. The Third Meeting of the Follow-up Committee may wish to consider under item No.11, the draft Agenda for the Third Session of the COMCEC.

17. Besides the above developments, all the subsidiary and affiliated bodies of the OIC shall submit their respective progress reports to the Third Follow-up Committee separately.
PBOGRESS REPORT ON THE STATUS OF ECONOMIC COOPERATION ACTIVITIES UNDERTAKEN SINCE THE SECOND MEETING OF THE FOLLOW-UP COMMITTEE OF THE COMCEC

Submitted by the COMCEC Coordination Office to the Third Meeting of the Follow-up Committee

Istanbul, 20-21 April, 1987

I - PURPOSE

The purpose of this report is to give a brief explanation on the status of economic cooperation activities undertaken since the Second Meeting of the Follow-up Committee, in September 1986, with a view to giving the Follow-up Committee in its Third Meeting an opportunity to assess the progress and formulate suggestions for the course of action to be taken in the future.

II - SCOPE

The present report covers only the progress achieved since the Second Meeting of the Follow-up Committee in areas
of economic cooperation which are not included as a separate item in the agenda of the Third Meeting of the Follow-up Committee of the COMCEC, namely:

- Progress Report submitted to the Fifth Islamic Summit Conference, and Resolutions adopted by the Summit in relation to the activities of the COMCEC.
- Progress in the field of Commercial Cooperation.
- Progress in the field of Industrial Cooperation.
- Progress in the field of Agricultural Cooperation.
- Proceedings of the Seventh Meeting of the Governors of the Central Banks and Monetary Authorities of the Member States.

III. PROGRESS REPORT SUBMITTED TO THE FIFTH ISLAMIC SUMMIT CONFERENCE AND RESOLUTIONS ADOPTED BY THE FIFTH SUMMIT IN THE FIELD OF ECONOMIC COOPERATION

H.E. Kenan EVREN, President of the Republic of Turkey submitted a progress report, in his capacity as the Chairman of the COMCEC, to the Fifth Islamic Summit Conference held in Kuwait, January 1987, with a view to giving a detailed account of economic and commercial cooperation activities undertaken under the auspices of the COMCEC since its First Session held in November 1984, and that of its planned activities for the future, in fulfillment of the mandate given to it by the Third Islamic Summit Conference.
The Report includes a short chapter on the establishment of the COMCEC, followed by a Chapter describing the strategy for its action, procedures adopted and arrangements made for the organization of its work to ensure effective coordination and follow-up of economic cooperation activities carried out in different, but closely interrelated areas.

In another chapter, progress achieved by the COMCEC in the field of economic and commercial cooperation is explained with special emphasis on those achievements having, or likely to have, tangible results. The last chapter of the report is devoted to a short description of the planned activities to be undertaken by the COMCEC until the Sixth Islamic Summit Conference in 1990.

During the Fifth Summit, the Chairman of the COMCEC, H.E. Kenan EVREN made a statement on economic cooperation activities being carried out under the umbrella of the COMCEC. The Summit adopted the following resolutions in the field of economic cooperation:
Resolution on the Conduct of Activities of the COMCEC

This resolution:

1. Approves the enlargement of the membership of the COMCEC so as to enable all Member States of the OIC to participate in the work of the Standing Committee,

2. Endorses the representation of the Member States in the COMCEC by Ministers responsible for the overall management of economic affairs and urges the Member States to adhere to this practice to ensure the highest degree of effectiveness,

3. Approves the establishment of a Follow-up Committee for the COMCEC,

4. Welcomes the decision of the COMCEC to apprise the Islamic Conference of Foreign Ministers of its decisions for action,

5. Endorses the recommendations of the COMCEC to reduce the frequency of Ministerial level meetings which have overlapping implications with the COMCEC and to incorporate inputs
provided by such meetings into the overall work of the COMCEC,

6. Approves that the subsidiary and affiliated agencies and other bodies of the OIC in the economic field present progress reports on their activities to the COMCKC,

7. Commends the role played by the COMCEC Coordination Office to facilitate its activities,

8. Supports the decision of the COMCBC urging the Member States, who have not yet done so, to sign and/or ratify the statutes and agreements previously approved by the OIC with respect to Economic and Commercial Cooperation,

B. Resolution on the Implementation of the Plan of Action to Strengthen Economic Cooperation among the Member Countries of the OIC

This resolution:

1. Requests the Member States to render the necessary assistance to the COMCEC and to the
ANNEX VIII

to OIC/COMCEC-FC/3-87/REP

Standing Committee for Scientific and Technological Cooperation (COMSTECH),

2. Welcomes the establishment of the Longer Term Trade Financing Scheme under the IDB and urges all Member States to participate in this Scheme as soon as possible,

3. Welcomes the offer of the Government of the Islamic Republic of Pakistan to host the Third Ministerial Conference on Food Security and Agricultural Development,

4. Notes with satisfaction the holding of the First Meeting of OIC Ministers of Transport and Communications in September 1987, simultaneously with COMCEC-III and the decision to convene a meeting of the Group of Experts to consider the possibility of developing the pooling of resources and capacities among the Airline Companies of the OIC countries,
G. Resolution on the Establishment of a Longer Term Foreign Trade Financing Scheme within the IDB

This resolution:

1. Notes with appreciation the establishment of the Longer-Term Trade Financing Scheme under the IDB and the approval of the Regulations and Operational Guidelines of the Scheme,

2. Urges the Member States to complete the necessary formalities that will enable their participation in the Scheme at an early date,

3. Requests the Member States to make timely payment of their subscriptions to the capital of the Bank.

IV. PROGRESS IN THE FIELD OF COMMERCIAL COOPERATION:

Progress achieved in the following areas of economic cooperation are included as a separate item in the Agenda of the Third Meeting of the Follow-up Committee:
ANNEX VIII

to OIC/COMCEC-FC/3-87/REP

1. Financial measures for the promotion of intra-OIC trade:

a) Establishment of the Longer Term Trade Financing Facility

b) Export Credit Guarantee Scheme and Multilateral Islamic Clearing Union

2. Establishment of a Trade Information Network

3. Establishment of a Trade Preferential System

Progress in the above-mentioned three fields are submitted to the Follow-up Committee under their respective Agenda items.

4. Harmonization of standards

It was recommended during the First Session of the COMCEC that activities aiming at the harmonization of standards applied in the Member States be initiated, paying particular attention to those which have an adverse impact on a steady expansion of intra-OIC trade. It was agreed to develop a methodology for the harmonization of the standards for this purpose.
In an Experts' Group Meeting held in Istanbul, in April 1985, a Coordinating Committee on Harmonization of Standards was established to undertake the studies required for the development of a Methodology as recommended by the COMCEC.

The Coordinating Committee on Harmonization of Standards held its Third Meeting concurrently with the Second Meeting of the Experts' Group on Standardization on February the 4th 1987 in Istanbul.

During the Meeting of the Coordinating Committee, the Turkish Standards Institute, as the Secretariat of the Committee, presented a set of papers covering various aspects of standardization, its importance and benefits in the context of economic and commercial cooperation among OIC Member Countries.

During the Second Meeting of the Experts, Group on Standardization it was agreed that the proposal for the establishment of a
ANNX VIII

to OIC/COMCEC-FC/3-87/REP

Standardization Organization for Islamic Countries (SOIC) be submitted to the COMCEC Follow-up Committee for consideration.

V. PROGRESS IN THE FIELD OF INDUSTRIAL COOPERATION:

The progress achieved in this field of economic cooperation since the Second Meeting of the follow-up Committee is as follows:

A. Draft Agenda of the Third Ministerial Consultation on Industrial Cooperation.

The Draft Agenda of the Third Ministerial Consultation on Industrial Cooperation, which will be held on 27-28 June 1987 in Istanbul, has been prepared in consultation with the OIC General Secretariat and the annotated Draft Agenda has been sent to the General Secretariat of the OIC. The annotated Agenda will be circulated to the OIC Member States through the General Secretariat.
Joint Ventures and Promotion of Investments.

The related chapter of the Plan of Action especially stresses the importance of giving priority to the promotion of joint ventures among Member Countries, especially in food and agriculture, industry, trade, Marketing, research services and infrastructure, and recommends the development of procedures and mechanisms for the implementation of joint venture projects.

The current Chairman of the Ministerial Consultation on Industrial Cooperation requested the General Secretariat of the OIC to organize a meeting in accordance with the resolution adopted during the Second Meeting of the Follow-up Committee of the COMCEC to re-examine the present procedure for the identification and submission of projects and elaborate a more efficient procedure with the participation of the SESRTCIC, the ADFIMI, the Federation of Consultants, the IDB, the JCCICE, and report the findings to the Third Ministerial Consultation to be held in June 1987.
The IDB was also requested to coordinate the activities because of its experience in this field.

Survey on Existing Joint Ventures and Joint Investment Companies established among the OIC Member Countries

The SESRTCIC continues its work to prepare a comprehensive survey on existing joint ventures and joint investment companies established among the OIC countries.

Identifying Feasible Areas of Cooperation Among the Productivity Centres and Relevant Bodies of the OIC Member Countries

The National Productivity Centre (MPM) of the Republic of Turkey had sent questionnaires to 30 counterpart organizations in the Member Countries of the OIC. An important part of these organizations answered these questionnaires. A progress report on the issue will be submitted to the Third Ministerial Consultation on Industrial Cooperation evaluating the questionnaires.
E. Small and Medium Scale Industries

The study on Turkey's experience in promoting small and medium scale industries which has been carried out by the SESRTCIC in collaboration with the UNIDO is almost finalised. This study will be submitted to the Third Ministerial Consultation on Industrial Cooperation in June 1987.

VI. PBOCIBBSS IN THE FIELD OF AGRICULTURAL COOPERATION

A. Third Ministerial Conference on Food Security and Agricultural Development.

The Follow-up Committee established by the Second Ministerial Conference on Food Security and Agricultural Development was scheduled to be convened in Istanbul on 6-12 December 1987.

The Government of the Islamic Republic of Pakistan made an offer to host the Third Ministerial Conference on Food Security and Agricultural Development.
B. The Identification of Centres of Excellence and the Establishment of a Network of Agricultural Research Centres

The study on identifying "Centres of Excellence" by the SESRTCIC as well as the General Secretariat of the OIC in Member States is under way. The SESRTCIC is also carrying out a study on the possibilities of establishing a network of "Agricultural Research Centres".

The Ministry of Agriculture, Forestry and Rural Affairs of the Republic of Turkey assigned four research centres in Turkey as Centres of Excellence for short-terma training and joint research for agricultural development in the Member States.

C. Regional Research and Training Centre in Agro-Hydrology for Islamic Countries.

The Ministry of Agriculture, Forestry and Rural Affairs of the Republic of Turkey assigned a research centre as Regional Research and Training Centre in Agro-Hydrology for Islamic Countries. It is pointed out that this Centre will be operational in 1987.
D. Seed Industry

The Turkish Government, in coordination with the OIC General Secretariat, continues studies in the field of the seed industry. A training programme on seed industry with the participation of the candidates from the Member States will be implemented in Turkey in 1987.

An Experts' Group Meeting will be held in the Republic of Turkey, in May 1987, and the report of this meeting will be submitted to the next Follow-up Meeting for Agricultural Cooperation.

E. Fisheries

The Ministry of Agriculture, Forestry and Rural Affairs of the Republic of Turkey is conducting a study on the possibilities of cooperation in this field among the OIC Member States.

F. Livestock Production

The Ministry of Agriculture, Forestry and Rural Affairs of the Republic of Turkey is
programing a workshop in Turkey in 1987. The save Ministry will also implement a training programme for the Near East Region Countries on Livestock and Forestry, in collaboration with the FAO in the same year.

VI. PROCEEDINGS OF THE SEVENTH MEETING OF THE GOVERNORS OF THE CENTRAL BANKS AND MONETARY AUTHORITIES OF THE MEMBER STATES

The Follow-up Committee of the COMCBC, in its First Meeting, in September 1985, recommended that the Governors of the Central Banks and Monetary Authorities of the Member States should cose together to consider the monetary and financial implications of the decisions of the COMCEC.

During the Second Session of the COMCEC, in March 1986, the recommendations of the Follow-up Committee were approved. In its recommendation, the COMCEC invited the Governors of the Central Banks and Monetary Authorities of the Member States to discuss monetary and financial issues related to the implementation of the Plan of Action.

Accordingly, the Seventh Meeting of the Governors of Central Banks and Monetary Authorities was held on 30-31 March 1987, following the Eleventh Annual Meeting of the
ANNEX VIII

to OIC/COMCEC-FC/3-87/REP

Board of Governors of the IDB, as it was scheduled at the Second Meeting of the Follow-up Committee of the COMCEC.

During their meeting, the Governors,

- Noted the necessity of cooperation and coordination of the economic policies of the Member Countries, and emphasized the need to increase the level of cooperation through various international fora on economic issues;

- Expressed their feelings on the need for more comprehensive analysis on financial markets and recommended that the studies should continue on this subject;

Urged the IDB to continue its studies on the "Export Credit Guarantee Scheme" and the "Multilateral Islamic Clearing Union", in active coordination with the Central Banka and Monetary Authorities of the Member Countries;

- Commended the Report of the Experts' Group on Islamic Banking and recommended its circulation among the Central Banks and Monetary Authorities;
Noted with satisfaction that the State Bank of Pakistan offered to host the next Meeting of the Experts' Group on Islamic Banking to consider any substantive issues.
PROGRESS REPORT

ON

THE LONGER TERM TRADE FINANCING SCHEME

to be presented at the third meeting of the COMCEC Follow-up Committee,
Istanbul, Turkey

22-24 Sha'baan 1407E (20-22 April, 1987)

ISLAMIC DEVELOPMENT BANK
P.O. Box 5925, Jeddah 21432
Saudi Arabia
ANNEX IX a

to OIC/COMCEC-FC/3-87/REP
I. BACKGROUND

1.1 The origins of the Longer Term Trade Financing Scheme (LTTFS) go back to the first session of the Standing Committee for Commercial and Economic Cooperation (COMCEC) held in Istanbul during Safar 1405H (November, 1984). In one of its resolutions the meeting called for an examination of the feasibility of establishing, on Islamic principles, a longer term trade financing scheme as well as a Regional Export Credit Guarantee Scheme and a Multilateral Islamic Clearing Union.

1.2 An Expert Group Meeting was held at IDB Headquarters in Sha'baan 1405H (May 1985) to discuss the background papers prepared by IDB staff members on this subject. The Group of Experts recommended that a Scheme for longer term trade financing should be launched under the aegis of the Islamic Development Bank. In view of the importance of the Scheme, the group noted that there was a need for further elaboration and requested the IDB to prepare a detailed feasibility study for submission to the second COMCEC meeting.

1.3 The feasibility study was subsequently approved by the COMCEC and then by IDB Board of Governors during its 10th Annual
Meeting in Amman, Jordan, in Rajab 1406H (March, 1986). The Board of Governors also authorized the IDB Board of Executive Directors to adopt the necessary Rules and Regulations for the operations of the Scheme. The Board of Executive Directors issued its Resolution No. 1158/BED/406(84)156 on 15 Dhul Qa'da 1406H (22 February 1986) which approved the Regulations and Operational Guidelines for the LTTFS.

1.4 Ever since then the Bank has taken additional measures to get its legal framework, operational guidelines and objectives understood by the appropriate authorities in the OIC member countries. In this connection, letters of invitation for participation were addressed to each member country. Each letter was accompanied by a set of relevant publications related to the Scheme. In addition a Bank delegation headed by the President met the Ambassadors of OIC member countries accredited to the Kingdom of Saudi Arabia, in Riyadh on 11 Rabi' Thani, 1407H (December 12, 1986). The purpose of the meeting was to brief the Ambassadors and to discuss with them all aspects of the new Scheme, so as to facilitate the participation of their respective countries. At about the same time, the Chief Executive of the COMCEC Coordination Office and Head of the State Planning Organization of the Republic of Turkey, who is also member of IDB Board of Executive Directors had a similar meeting in Ankara with the Ambassadors of OIC member countries accredited to the Republic of Turkey.
II - PARTICIPATION IN THE LTTFS

As of the present, 17 countries have communicated to the Bank about their desire to participate in the Scheme. These are listed below, along with their respective contributions in millions of Islamic Dinars:

<table>
<thead>
<tr>
<th></th>
<th>Country</th>
<th>Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Turkey</td>
<td>60.0</td>
</tr>
<tr>
<td>2</td>
<td>Egypt</td>
<td>5.0</td>
</tr>
<tr>
<td>3</td>
<td>Morocco</td>
<td>1.5</td>
</tr>
<tr>
<td>4</td>
<td>Jordan</td>
<td>1.5</td>
</tr>
<tr>
<td>5</td>
<td>Pakistan</td>
<td>6.0</td>
</tr>
<tr>
<td>6</td>
<td>Tunisia</td>
<td>3.0</td>
</tr>
<tr>
<td>7</td>
<td>Uganda</td>
<td>1.5</td>
</tr>
<tr>
<td>8</td>
<td>Somalia</td>
<td>1.5</td>
</tr>
<tr>
<td>9</td>
<td>Saudi Arabia</td>
<td>25.0</td>
</tr>
<tr>
<td>10</td>
<td>Gabon</td>
<td>1.5</td>
</tr>
<tr>
<td>11</td>
<td>Malaysia</td>
<td>1.5</td>
</tr>
<tr>
<td>12</td>
<td>Niger</td>
<td>1.5</td>
</tr>
<tr>
<td>13</td>
<td>Senegal</td>
<td>1.5</td>
</tr>
<tr>
<td>14</td>
<td>Bangladesh</td>
<td>1.5</td>
</tr>
<tr>
<td>15</td>
<td>Sudan</td>
<td>1.5</td>
</tr>
<tr>
<td>16</td>
<td>Algeria</td>
<td>4.5</td>
</tr>
<tr>
<td>17</td>
<td>Brunei-Darussalam</td>
<td>2.0</td>
</tr>
</tbody>
</table>

**TOTAL:** 120.5

III. LAUNCHING OF THE SCHEME

3.1 An internal unit has been established within the Bank to prepare and be responsible for all aspects of the implementation of the Scheme.

3.2 A separate account for the Scheme has been opened in the books of the Bank.
3.3 The relevant call accounts in the five major convertible currencies have been opened abroad, in order to facilitate the payments for the respective first instalments of participating countries' contributions.

3.4 An administrative budget for the Scheme has been prepared that covers the entire period up to the end of 1407H.

3.5 A telex communication has been addressed to all IDB Governors of participating countries requesting the following:

(a) The payment of the first instalment of their respective country's contribution to the Scheme;
(b) The designation of a "national agency" and the official channel of communication with IDB; and
(c) The selection of a priority list of non-traditional exports the named wish to be eligible for the Scheme's financing.

In this regard, the Republic of Turkey has already responded and indicated its National Agency, as well as a list of goods to be considered for financing by the Scheme. The Republic of Sudan has also responded by naming its National Agency.

3.6 The Scheme will commence operations when at least 10 participating countries pay their respective first instalments of
their contributions. As of to date, three participating countries namely: Uganda, Saudi Arabia and Sudan have already done so. Contacts are being made with the remaining 14 countries, in order to get their first instalment paid in soon.

3.7 The operational procedures of the LTTFS, with a model of a financing agreement are being formulated for use in the operations to be financed under the Scheme. They will be finalized after consultations with member countries and some specialized financing institutions.

3.8 Missions are expected to be mounted during the month of Shawwal 1407H, to visit all participating countries with a view to:

(a) Providing the officials in each participating country with the required information that would help to speed the process of their effective participation, e.g. designation of National Agencies, determination of eligible export items, etc. ; and

(b) Explaining to the persons or institutions directly or indirectly involved in exports and exports financing, the salient features of the Scheme, its mechanics, operational procedures and so on.
3.9 A workshop will be held at the Bank's Headquarters on 15 July, 1987, involving the participation of National Agencies and exporters from participating countries. The aim of the workshop will be to acquaint the National Agencies with the procedures of the Scheme, so as to enable them to effectively process the financing applications they would be receiving from the exporters in their respective countries. It would also be an opportunity for exporters to exchange views and information on potential intra-trade transactions.
ANNEX IX b

to OIC/COMCEC-FC/3-87/REP

PROGRESS REPORT

ON THE ESTABLISHMENT OF A

MULTILATERAL ISLAMIC CLEARING UNION

To be presented at the third meeting
of the COMCEC Follow-up Committee

Istanbul, Turkey
22 - 24 Sha'baan 1407H.
20 - 22 April 1987G.

ISLAMIC DEVELOPMENT BANK
P.O. BOX 5925, JEDDAH 21432
SAUDI ARABIA
ANNEX IX b

to OIC/COMCEC-FC/3-87/REP
ANNEX IX b

to OIC/COMCEC-FC/3-87/REP

PROGRESS REPORT

ON THE ESTABLISHMENT OF A
MULTILATERAL ISLAMIC CLEARING UNION

INTRODUCTION

1.1 The promotion of intra-trade among the OIC member countries is an effective instrument for paving the way to closer cooperation and a higher degree of solidarity. The present situation of intra-trade flows within the OIC membership is rather unsatisfactory, averaging at about 10% of the OIC member countries' total trade. This very low proportion of commodities traded among them could not be totally imputable to the low degree of complementarity in their production patterns. To foster intra-trade, it would help if there were additional institutional support, such as the harmonization of standards, the provision of adequate trade financing and guaranteeing facilities, the reciprocal trade preferential treatment, and the establishment of a multilateral payments arrangement.

1.2 During the last few years, the OIC, and particularly its standing Committee for Economic and Commercial Cooperation (COMCEC) has been exploring all the possibilities in these areas with a view to boost up intra-trade within its membership.
1.3 In the area of multilateral payments arrangements, the search for an appropriate mechanism has been undertaken in various fora, particularly during the occasions of the meetings of the Governors of Central Banks and Monetary Authorities of the OIC Member States. The first session of the COMCEC held in Istanbul during Safar 14.05H (November 1984) gave the search a further push. As a result, it was recommended that a group of experts from interested OIC member states, should meet under the auspices of the IDB, with the participation of relevant OIC and other Islamic financial institutions for examining, among other matters, the feasibility of establishing on Islamic principles, a Multilateral Islamic Clearing Union.

1.4 The experts group on intra-Islamic trade met at the Islamic Development Bank, Jeddah, Kingdom of Saudi Arabia, during 23-24 Sha'бан 1405H, (May 13-16, 1985). The group discussed the various aspects involved in the establishment of a Multilateral Islamic Clearing Union, on the basis of a study prepared by the IDB. As a result, the group was of the opinion that:

a. An Islamic clearing union is a useful arrangement because of its potential for enhancing trade.

b. The establishment of a global scheme involving all or most of the OIC member countries is not at present a feasible strategy because of evident geographical, reasons and because many members are already involved in a number of sub-regional clearing arrangements. Under these circumstances,
the experts found that a gradual, step by step approach was more appropriate. Each OIC member country may consider joining, if it had not yet done so, an existing arrangement in its sub-region, pending the creation of an appropriate multilateral clearing union.

While recognizing the usefulness of a multilateral clearing arrangement for the OIC member countries, the experts observed that current mechanisms involve some procedures, which raise certain problems related to Islamic principles, specially that of payment of interest on net credits. The experts therefore emphasized the need for further in-depth studies, and recommended that IDB develop comprehensive models for bilateral and multilateral clearing arrangements in conformity with the Shariah.

1.5 Pursuant to the recommendations of the experts group, the IDB presented a paper at the meeting of the follow-up committee of the COMCEC, held in Istanbul on 4-6 Muharram 1407H (8-10/9/1986). The paper described the involvement of OIC member countries in existing sub-regional clearing arrangements and examined the issue of expanding their membership to embrace other OIC member countries.

Meanwhile, a study is being undertaken to develop some alternative models of a clearing mechanism which conform to Sharia and may voluntarily be adopted by two or more OIC member countries.
1.6 The present report, prepared by the Islamic Development Bank at the request of the COMCEC Follow-up Committee during its second meeting held in Istanbul on 4-6 Muharram 1407H (8-10/9/1986), aims at:
- highlighting the findings of the previous papers prepared by the Bank on the subject;
- introducing the on-going study on the bilateral and multilateral Islamic clearing arrangements; and
- exploring the possibilities of undertaking, with the collaboration of the Central Banks and Monetary Authorities of the OIC Member States, further in-depth studies on the subject.

II. Essential Features of a Multilateral Clearing Arrangement

2.1 A multilateral clearing arrangement characteristically deals with the establishment of a facility or a mechanism by which the participating Central Banks periodically and multilaterally settle their bilateral transactions.

2.2 Because the transactions are only settled at the end of each clearing period, the mechanism involves a built-in interim credit extended by the surplus (creditor) Central Banks to the others. This interim-credit is either free of charge or remunerated on concessional or market basis.

2.3 The net claims at the end of each clearing period are settled according to pre-agreed conditions. In some cases, the settlement is prompt and made in convertible currencies. In other cases, the debtors are allowed
to settle only part of their outstanding balances in convertible currencies while the rest is settled through a direct credit extended by the creditors or through borrowing from a multilateral subscribed fund.

2.4 The transactions which may be channelled through the clearing mechanism are determined through multilateral negotiations. They generally involve trade transactions but may also represent capital transactions. Routing of eligible transactions may be optional or mandatory.

2.5 A unit of account is generally used for recording the transactions channelled through the clearing house, in order to avoid the adverse effects of currency fluctuations or exchange rates adjustments.

III. Main Advantages of a Multilateral Clearing Arrangement

3.1 The main advantages which may be expected from the establishment of a multilateral clearing arrangement are:

i. the saving in transaction costs associated with the intra-regional payments by establishing direct correspondent relationships between commercial banks in the member countries.

ii. promotion of closer monetary cooperation among the central banks; and

iii. the reduction of working balances in convertible currencies.

3.2 The last potential benefit is generally considered as the decisive advantage of a regional clearing union.
However, it should be noted that the clearing arrangement would not reduce the need to hold convertible currencies for balance of payment's purposes. The arrangement only affects the timing of receipts and payments in convertible currencies during the clearing period. But it does not affect the balance between the overall receipts and payments at the end of the period. As a matter of fact, this is a benefit for the debtor central bank but it is not necessarily so for the creditor bank.

3 If regional trade is roughly balanced or if net positions of the member central banks are frequently varying from surplus to deficit and vice-versa, then the previous advantage would apply to all members of the clearing facility.

4 A central bank which expects to be in a permanent credit position may find it profitable to participate in a regional clearing arrangement for one or both of the two following reasons:

- The remuneration for the interim credit is adequate;
- The temporary accumulation of non-convertible currencies, is considered as a reasonable cost for boosting the country's exports within the regional market.
IV. The Experience of Multilateral Clearing Arrangements Among Developing Countries

4.1 The study presented at the Experts Group meeting surveyed the main operational features and performances of the various regional clearing unions set up by the developing countries in Asia, Africa and Latin America.

4.2 Due to the high degree of economic integration among the constituent countries, the clearing arrangements in Latin America, particularly in the case of the Central American Clearing House, are relatively more comprehensive in terms of their coverage of various kinds of transactions. Their rates of compensation are also among the highest.

4.3 The experience of various regional clearing arrangements shows that a certain degree of homogeneity in the banking and exchange practices helps the smooth functioning of a clearing arrangement. However, the similarity of the banking structures and the exchange regulations is not a prerequisite for the establishment of a clearing arrangement. As a matter of fact such an arrangement does not interfere at all in the terms and conditions of the intra-trade transactions. The only link of the chain which is affected is the settlement of the claims between central banks.
4.4 The recent experience of the various clearing and payments arrangements in the developing countries, recently surveyed by the UNCTAD, shows two important facts:

i. Trade among developing countries members of clearing arrangements were also adversely affected by recent crisis in the world economy". But intra-group trade has on the whole performed much better than trade with the rest of the world. Eight out of ten surveyed financial arrangements have intra-trade more crisis-resistant than trade with non-member countries. It appears therefore', that clearing arrangements have tended to protect the member countries from the external trade shocks.

ii. The recent international economic crisis has had adverse effects on the functioning of clearing arrangements. These effects include the decrease of the volume of transactions channelled through these clearing arrangements; the increase of the share of transactions settled in convertible currencies; and the difficulty of settling the debit balances in hard currencies because of acute shortages of liquidity. In certain cases, especially in Latin America, some clearing arrangements have been forced to suspend their operations, because the accumulated arrears reached credit limits and could not be liquidated (3).

(1) UNCTAD, Review of Developments in the Area of Trade Expansion and Promotion; and Monetary and Financial Cooperation among Developing Countries, Report TD/B/C.7/74, October 1985.

(2) including clearing arrangements, credit arrangements and monetary unions.

(3) UNCTAD, Report TD/B/C.7/74, op.cit.
V. Involvement of OIC - Member Countries in Sub-Regional Clearing Arrangements

A- THE CURRENT SITUATION

5.1 Some 21 OIC Member countries are involved in at least one sub-regional clearing arrangement.

5.2 All the 15 non-Arab African OIC members, and 2 Arab-African countries (Djibouti and Somalia), are involved in one or the other of the three clearing arrangements in Africa.

5.3 The OIC Arab countries have no settlement mechanism.

5.4 For the Asian region, 4 OIC countries (Bangladesh, Iran, Pakistan, Turkey) are involved in two clearing houses. Some 4 OIC Asian countries, (Brunei-Dar Essalam, Indonesia, Malaysia and Maldives) are not yet involved in any regional clearing facility.

Two of the Asian OIC members not yet involved in any clearing facility (Indonesia and Malaysia) are, however, members of the Association of the South-East Asian Nations. In the domain of trade and payments co-operation, the Association has initiated two agreements: one on Preferential Arrangements and the other on Swap Arrangement. The latter provides unconditional six-month credit to member central banks experiencing temporary shortages of liquidities.
B- THE ISSUE OF EXPANDING EXISTING CLEARING ARRANGEMENTS TO EMBRACE ALL THE OIC MEMBER COUNTRIES

5.5 The scope is limited and, for the African sub-region, it is not relevant, since all OIC member countries are already involved in some clearing arrangement.

5.6 With the relatively higher intensity of inter-Arab trade, compared with their trade with other non-Arab OIC members, there is a reasonably stronger case for them to form a clearing arrangement rather than joining other existing schemes.

5.7 For the Asian sub-region, Brunei-Darussalam, Indonesia, Malaysia and Maldives may wish to participate in the Economic Cooperation Organization's clearing arrangement. However, the current volume and direction of trade seem to be in favour of transactions with non-OIC member countries (e.g., trade between Indonesia, Malaysia and Singapore). This is similar to what is happening in existing African arrangements of WACH, CACH and PTA.

In the final analysis, the most important determinant for instituting a clearing arrangement is the direction, volume and intensity of merchandise trade. The higher the volume and intensity of trade transactions, the more the need would be felt...
for establishing or joining existing payments arrangement, in order to save on transactions costs, particularly as related to the use of convertible currencies.

VI. Models of Islamic Clearing Arrangements

6.1 A large number of models of multilateral clearing arrangements may be developed through the combination of the various potential options available for the salient features of a clearing mechanism.

6.2 For the purpose of this section, the focus in the model building is on those features of a clearing arrangement which require the development of innovative solutions, in order to ensure their compatibility with Islamic Shariah. These pertain to the modes of remunerating the built-in interim credit, the settlement of the outstanding balances at the end of the clearing periods, the guarantees of settlement at the due dates, the treatment of cases of arrears and defaults and relevant guarantees for currency exchange risks. The remuneration for the interim net credit represents a central issue. Alternative models may be developed around the various solutions to this issue.

6.3 At an earlier stage, three potential solutions for the remuneration of the interim credit were developed. Two of them were included in the paper presented at the Experts Group meeting, after a thorough discussion with Fiqh Scholars.
6.4 The first mode may be referred to as a cost-free model. In this case there would not be any interest or any other charges on any interim credits automatically extended during the clearing period by member central banks in net credit positions to member central banks in net debit positions. Similarly, balances not fully settled at the end of the clearing period are considered as freely offered credit facilities. This model appears to be the most suitable for a pair of countries with relatively balanced bilateral trade.

6.5 The second model is developed upon the idea of transforming the financial transactions among the participating central banks during the clearing period into commercial transactions between subsidiaries of the same central banks. These commercial transactions take the form of deferred payments Murabaha sales which mature on the same date, the last day of the clearing period. This solution, although considered as being in conformity with Islamic principles, may not be practical because it may be at variance with the prevailing functions and practices of central banks.

6.6 The third model is based on the idea that each participating central bank invests the proceeds of its country's exports in a Mudharaba account
within the importing participating country, in convertible currency until the end of the clearing period. This solution ensures that the need for flows of convertible currencies arises only at the end of the clearing period. The interim credit is transformed into a deposit which can be remunerated in conformity with Islamic principles. Its implementation simply requires that at least one bank in each participating country is allowed to open Mudharaba accounts.

**VII. Recent developments and future prospects**

7.1 As requested by the second meeting of the Follow-up Committee, the IEB submitted a progress report at the Seventh Meeting of the Governors of Central Banks and Monetary Authorities of the OIC Member States that was held in Istanbul during the period 1-2 Sha'baan 1407 (30-31 March 1987). The report reviewed the progress achieved in the studies related to the establishment of a Multilateral Islamic Clearing Union and suggested further steps for collaboration with member Central Banks and Monetary Authorities.

7.2 The report of that meeting recommended that the IDB should continue its work on this project in active collaboration with the Central Banks and Monetary Authorities of the member countries.
7.3 Work on the development of trilateral and multilateral models of clearing arrangements conforming to Sharia is still being pursued by the Bank. Some progress has been achieved, as has been indicated earlier. All along the IDB has adopted the step by step approach, following the recommendations of the Experts Group that met in Sha'baan 1405H, (May 1985).

Accordingly, the study on the Longer Term Trade Financing Scheme was given the first priority. With the help of Allah, the Scheme has been officially adopted and has now reached the implementation stage. The emphasis has accordingly been shifted to the second topic, that of an Export Credit Guarantee Scheme and a comprehensive feasibility study related to this topic is expected to be completed in time for presentation by the IDB at the Third Session of the COMCEC to be held in Muharram 1408 (September 1987)

As the feasibility study on the Export Credit Guarantee Scheme is approaching completion, work on the clearing models is expected to gather momentum, counting on collaboration with the member Central Banks and Monetary Authorities.
EXPORT CREDIT GUARANTEE
SCHEME

Report to the Third Meeting of the Follow-up Committee of COMCEC
Istanbul,
April 20 – 22, 1987

ISLAMIC DEVELOPMENT BANK
JEDDAR – SAUDI ARABIA
SHABAN 140TH
INTRODUCTION

1. The first session of the Standing Committee for Economic and Commercial Cooperation of the OIC (COMCEC), recommended that a group of experts from interested OIC member States, be convened under the auspices of the IDB, with participation of relevant OIC and other Islamic financial institutions, for examining, among others, the feasibility of establishing a regional export credit guarantee scheme.

2. Hosted by the Islamic Development Bank, these experts on intra-Islamic trade met at the IDB, Jeddah, Kingdom of Saudi Arabia, during 23-26 Shaban 1425H (May 13-16, 1985). They presented valuable recommendations. These, along with the action that has been taken, thus far by the Bank, are presented in this progress report.

A. RECOMMENDATIONS OF THE EXPERTS GROUP MEETING

3. Export credit guarantee schemes are effective instruments for the promotion of trade. However,
ANNEX IX c

to OIC/COMCEC-FC/3-87/REP

contemporary schemes pose certain problems related to Shariah, particularly in the manner in which trade bills are discounted. However, progressive steps should be made toward achieving procedures and institutions that are consistent with Islamic principles.

4. In relation to countries without export promotion institutions, they may wish to establish them. Countries which have them may wish to authorize these institutions to provide credit guarantees to resident exporters, along lines of national priorities.

5. The experts recalled that, at the multilateral level, that Article 15 of the Agreement for the Promotion, Protection and Guarantee of Investment among OIC member countries, provides for the establishment of an Islamic Institution for the guaranteeing of investment, to be set up through IDB. The experts recommended that the functions of this institution be enlarged to include export guarantees and insurance in accordance with Islamic principles.

8. The experts felt that, in connection with the establishment of a multilateral insurance schemes for OIC member countries, the IDB could be of assistance in undertaking the following:
(a) Conducting appraisals, relevant studies and other supportive preparations; and

(b) The investment of the surplus funds of cooperative insurance schemes, along lines consistent with Shariah.

PHOgress REPORT

9. As was stated by the group of experts, existing export credit guarantee institutions, and the procedures that they employ, raise certain problems in relation to conformity with Islamic Principles. To be consistent with the Shariah, services of a guarantee institution must be offered gratuitously. However, this procedure would not produce any net resources for honouring the terms of any guarantee that may have been contracted. Even if such a guarantee institution were to levy charges sufficient to cover its administrative and operational costs, there could still be insufficient financial resources for honouring any obligations that might arise from a guarantee which the institution had given.
10. In this regard, while progressive steps would need to be taken for developing a suitable models of an export credit guarantee facility consistent with Islamic principles, the alternative that appears currently to be feasible is that of cooperative insurance schemes.

11. It seems that the simplest version of suitable alternatives is for a group of persons engaged in any business undertaking, agree to cooperate in collectively safeguarding their interests. In this very simple model, the participants would be free liberty to determine the risks that they may wish covered, the manner of funding (i.e., the premiums to be assessed each participant) and all the other necessary operational requirements of the scheme. They may wish to include export credit guarantee, as a form of insurance against commercial and even non-commercial or political risks. A likely problem with this simpler model of cooperative insurance is that the risks are likely to be less diversified. Therefore, the costs of operations would likely be relatively high and the funding requirements a bit more drastic on the members.

2. One alternative model is a more diversified form of cooperation that embraces all types of business and/or economic activities and, therefore, enjoying a more
diversified structure of risks. The larger the number of participants, the larger the volume of operations. The wider the range of risks that would be covered, the relatively lower the costs are likely to be to the participants.

13. The volume of financial resources required for operating any cooperative insurance scheme can be determined and/or marshalled through two types of strategies. One of these is for the premia to be determined for the respective risks that are to be covered and each participant is then levied his share into a common fund. The second method, employing pre-agreed formulas, assesses each participant his share for immediate payment to be postponed to some future dates or occasions, only when this is necessitated by an actual occurrence covered under the insurance agreement or conditions.

ARTICLE 15 OF THE AGREEMENT FOR THE PROMOTION PROTECTION AND GUARANTEE OF INVESTMENT AMONG MEMBER COUNTRIES OF THE O.I.C

14. Article 15 which was referred to by the Group of Experts that met at the IDB in Shaban, 1405H (May
1985), mentioned earlier in this report, states as follows:

"The organization shall, through the Islamic Development Bank in accordance with the provisions of its Agreement, establish an affiliated institution for the Guarantee of Investment which is to take charge of the insurance of property invested in the territories of the contracting parties in accordance with this agreement and the principles of Islamic Sharia."

15. This Agreement states that the OIC is to establish, through the IDB, an AFFILIATED INSTITUTION for the GUARANTEE OF INVESTMENT. This will be for the INSURANCE of properties invested in the participating member countries to the agreement. Therefore, the function of this new institution is to provide INSURANCE COVER. To be consistent with Islamic principles, the institution must BE A COOPERATIVE INSURANCE SCHEME.

16. The expert group that met at the IDB (in Shaban 1405H [May 1985]) suggested that a preliminary study was to be prepared and submitted to the Islamic Cement Association, in order to test the reactions of their membership in relation to participation in a
cooperative insurance scheme that is consistent with Shariah. As soon as the IDB completes current on-going studies, a copy will be made available to the Islamic Cement Association, for a discussion of this matter. The Agreement for the Promotion, Protection and Guarantee of Investment among Member Countries of the OIC is not yet operational.

Meanwhile, IDB was asked to explore steps for facilitating future implementation of the scheme.

17. The group of experts that met in Shaban, 1405H (May 1985) recommended, as has already been mentioned in this report, that the functions of the institution for the guarantee of investment, (as provided under Article 15 of the OIC agreement mentioned earlier), should be enlarged to include export credit guarantees. In this connection:

(a) The governments which ratify the Agreement for the Promotion, Protection and Guarantee of Investments may wish to also accept its automatic enlargement to include export credit guarantee, within a

(1) As of now, according to the OIC Secretariat, 9 OIC member states have signed and ratified this Agreement. These are: Kuwait, Pakistan, Palestine, Tunisia, Mali, Indonesia, Somalia, Saudi Arabia and Egypt. Four countries have signed but not ratified the Agreement: Morocco, Sudan, Yemen Arab Republic and Djibouti.
cooperative insurance scheme that is consistent with Islamic principles. This matter may need to be explored by both COMCEC and the OIC.

(b) There are 21 Arab OIC member countries that are currently being served by the Inter-Arab Investment Guarantee Corporation located in Kuwait. The services of this corporation now cover investment guarantees, export credit guarantees and both political (non-commercial) and commercial risks, under the respective contracts that the corporation has developed and is employing. This cover is available only for the investments and exports among the participating countries. Cover does not extend for exports from the participating member country to the other non-Arab OIC member countries.

Therefore, there are 24 non-Arab member countries of the OIC that are not being served by any similar common institution, such as the one in Kuwait that serves Arab OIC member countries. Therefore, if a feasible scheme is developed that can embrace all OIC member countries, there would be a wider scope of operations that would be of benefit to the entire participating membership. The Arab countries would then enjoy a much wider
sphere of potential trade operations than what they now enjoy, under their existing arrangements. There would be room for cooperation between the existing Kuwait-based Inter-Arab Guarantee Corporation and any broader scheme that, may eventually evolve.

IDB STUDY

18. The IDB has actively pursued a study into the issue of a relevant insurance strategy that can provide cover for both intra-OIC investments and export credit guarantees. A great deal of insight has been gained from meetings and various consultations that are still continuing with relevant expertise in this field. In this regard, the Bank has engaged the services of a consultant for buttressing the work of a special task force that has been working on this project. The main focus of the on-going study is to produce an implementation study for the establishment of a suitable export credit/investment guaranteeing institution whose procedures would be consistent with Islamic principles.
ANNEX IXc
to OIC/COMCEC-FC/3-87/REP

It is planned that such a study would be completed and presented to a meeting of experts on insurance guarantees for investments and exports, as well as experts on Sharia. Using the contents and suggestions of these experts, the study is expected to be completed by next July. Copies of the final report will be made available to COMCEC Secretariat as well as to the OIC. The IDB would then, Insha Allah, present this report at the Third COMCEC meeting, Scheduled for September, this year (1987).

AOA/071
13 Shaban, 1407H
11 April, 1987
A:COMF0L3
WORKING PAPER BY THE COMCEC COORDINATION OFFICE
ON THE PROPOSAL FOR A SCHEME TO STRENGTHEN COOPERATION
AMONG OIC MEMBER COUNTRIES
IN THE FIELD OF TECHNICAL ASSISTANCE

Submitted to the Third Meeting of the
Follow-up Committee of the COMCEC

Istanbul, 20-21 April, 1987

I- PURPOSE

1. The purpose of the present paper is to explain the proposal developed by the COMCEC Coordination Office and the Islamic Development Bank (IDB) to maximize the benefits of technical assistance activities among the Member Countries of the OIC. The maximization of these benefits is expected to accrue by encouraging the utilization of consultancy services available in the Member Countries for assignments concerning the preparation and implementation of technical assistance projects in the Member Countries.
II- SCOPE

2. This paper summarizes an earlier paper repopnared by the COMCEC Coordination Office (OIC/COMCEC-PC/3-87/DI) in its revised version as well as a joint proposal developed by the COMCEC Coordination Office and the IDB.

3. The explanations given in the present paper pertain to a proposed scheme to be developed within the framework of the Technical Assistance Programme of the IDB which would increase the chances of the consultancy firms from the Member Countries to obtain assignments for the implementation of technical assistance projects financed by the Bank. It also contains information regarding the operational principles of the Technical Assistance Programme of the IDB.

BACKGROUND

4. The question of technical assistance activities undertaken by the OIC Member Countries and by the IDB was discussed during the Second Meeting of the Follow-up Committee of the COMCEC and the ongoing IDB programme in
the field of technical assistance was noted with satisfaction.

5. The COMCEC Coordination Office was asked during the Second Meeting of the Follow-up Committee of the COMCEC to prepare, in cooperation with the IDB, a background paper on this subject and to submit it to the Third Meeting of the Follow-up Committee. It was also agreed that the Third Meeting of the Follow-up Committee should consider the inclusion of this subject in the Agenda of the Third Session of the COMCEC.

6. Accordingly, the COMCEC Coordination Office prepared a preliminary proposal on the issue and sent it to the IDB for comments and contributions. This preliminary proposal is summarized under the following headline.

III. OUTLINE OF THE SCHEME PROPOSED BY THE COMCEC COORDINATION OFFICE

7. There are various technical assistance programmes presently under implementation by the Member Countries of the OIC in the least developed Member Countries. However, the Technical Assistance Programme of the
Islamic Development Bank (IJ)D) with its internationally recognized procedures and institutional set-up, is the only one within the OIC which would lend itself more easily to the development of a joint scheme among the Member Countries.

8. In order to better understand the operation of the proposed scheme, it may be appropriate to give a brief explanation on the main features of the technical assistance provided by the TOR.

a) Main features of the technical assistance provided by the Islamic Development Bank.

9. The IDB extends financial assistance within the framework of its technical assistance programme mainly for the formulation and implementation of development projects. This financial assistance includes a grant element of ID 150,000 per project. Should the financing required from the IDB exceed the grant element, then the balance is regarded as a loan to the recipient government with the standard IDB terms and conditions. Under the present practice, a Member Country applies to the IDB indicating its need for technical assistance. After the
approval of the request by the Board of Executive Directors of the Bank, consultants are selected according to the policies and procedures of the Bank from the roster of consultants available at the Rank and including consultants nominated by the recipient country to undertake necessary studies and assignments towards the realization of the approved project. Consultancy services financed by the TDB normally cover pilot schemes, the preparation of the design and the tender documents, bid evaluation, supervision during the implementation of the project, institution building and support.

In the process of selection of consultants, a short list of normally 3 firms on the basis of merit is prepared out of the roster of the TDB. Three firms are also suggested by the recipient country. The Terms of Reference are then circulated to these six consultancy firms and they are invited to submit their proposals.

10. On receipt of the proposals (original proposals are normally sent to the recipient country with copies to the IDB) a separate evaluation is made by the recipient country and the IDB. In the process of its evaluation of offers, the Bank awards 10 points out of 100 to those firms
which are from the Member Countries of the IDB or to joint ventures between the consultants from the Member Countries and non-member countries. The regaining 90 points are allocated according to such criteria as academic and professional qualifications of the staff and project Manager, experience and track record of performance of the firm, the methodology of approach in undertaking the consultancy assignment, the performance record of the consultancy firm in similar environment and similar project, etc.

11. The present procedure applied by the IDB for the selection of the consultancy firms requires that for the name of a consultancy firm from a Member Country to appear among the short listed firms, it should first of all has registered with the IDB. Effective utilization of services and facilities provided by the recently established Federation of Consultants from Islamic Countries (FCIC) is highly advisable in this respect.

b) Outline of the Proposed Scheme

12. A scheme which would combine the funds made available by the IDB and the donor countries may maximize the
advantage of all three parties, namely the IDB, the recipient country and the donor country.

13. The original proposal by the COMCEC Coordination Office foresaw the establishment of a fund within the IDB, with the participation of the Member Countries that are extending technical assistance to other Member Countries which would function as follows:

Member Countries of the IDB wishing to participate in the scheme, will pledge a certain amount to the scheme.

When a Member Country applies to the IDB for a fund request to cover the expenses of the feasibility study of a project to be funded by the IDB, the latter will inform the requesting country that if the consultancy firm to be awarded with the contract to carry out the feasibility study is from one of the participating countries, the cost of the operation will be met using the grant element of the IDB and covering the balance from funds made available through the scheme.

14. Countries will be free to pledge to the scheme as much funds as they wish. Their quota will naturally be limited to their pledge. The participating country will not pay
the pledged sua until a consultancy company from its country is contracted to carry out the assignment.

15. Funds pledged by a participating country will be used to cover expenses mainly incurred in the local currency of its own country. Consequently, the participating countries say not be asked to make any foreign currency payment.

It is expected that foreign currency requirement for the technical assistance would be covered by the grant element of the IDB of ID 150,000. Should the foreign currency requirement of the operation exceed the grant element of the IDB, other sources of finance could be utilized for that purpose.

16. Implementation modalities of the scheme are not determined in detail and they are open to suggestions and improvement.

c) Possible Advantages of the Scheme

17. Some of the advantages of such a scheme would be the following:
ANNEX X

to OIC/COMCEC-FC/3-87/REP

i) It gives the recipient country an opportunity to cover the whole or a greater part of the expenses incurred in carrying out a feasibility study.

ii) It offers the consultancy companies of the participating countries a better opportunity to win the bidding of the feasibility study of a project to be funded by the IDB.

iii) It helps to promote economic and technical cooperation among the member countries of the IDB.

18. The scheme to be established would supplement the funds made available by the IDB to the recipient countries.

IV- AN EXPERIMENTAL MECHANISM TO BE LAUNCHED BETWEEN TURKEY AND THE IDB

19. After consultations between the COMCEC Coordination Office and the IDB on the scheme described above, the following mechanism to be launched on an experimental basis was proposed by the IDB and agreed in principle by Turkey.
The experimental scheme would function as follows:

i) The Turkish Government shall establish an account in local currency at a financial institution in Turkey, as it may deem appropriate, depositing its contribution to the scheme. This account is to be operated by the IDB and the required disbursements from the account to Turkish consultancy firms selected for assignments will be effected upon instructions by the IDB. The IDB will issue its instructions of disbursement after examination of the disbursement requests according to its rules and procedures.

ii) Upon the approval by the Bank of a request for technical assistance from a least developed Member Country, the IDB shall inform the requesting country of the availability of funds in Turkish Lira that can be contributed, towards the cost of the operation on a grant basis in addition to IDB's grant element of ID 150,000, provided that a Turkish consultant is selected for the implementation of the operation.
Should the foreign exchange component of the operation exceed the grant element of the IDB or should funds in excess of IDB's grant element be required from the Bank, they will be covered through an ordinary IDB loan with the standard terms and conditions for such operations.

iii) The selection of consultants to implement the technical assistance projects will be made according to the IDB's procedures for such operations.

20. In this process, it is the information on the availability of the extra funds in Turkey to be utilized on a grant basis during the implementation of the operation that constitutes an incentive for the recipient country to select a Turkish consultancy firm for the implementation of the technical assistance project.

21. In this respect, the experimental scheme calls for the registration of Turkish consultancy firms with the IDB to increase the probability of their being short
listed, in the process of selection of consultants in the IDB.

22. If proved to be successful, this experimental scheme would be expanded to cover other Member Countries willing to participate, and would gradually evolve into a joint scheme outlined in the previous section of this paper.
TEXT OF PRESENTATION BY MR. YAŞAR YAKIŞ
CHAIRMAN OF THE TASK FORCE MEETING ON
A TRADE PREFERENTIAL SYSTEM
AMONG THE OIC MEMBER COUNTRIES

Submitted to the Third Meeting of the
Follow-up Committee of the COMCEC

İstanbul, 20-21 April, 1987

In accordance with the resolution adopted at the Second Session of the COMCEC a Task Force Meeting on "A Trade Preferential System Among the OIC Member Countries" has been convened in Izmir, Turkey, on 25-27 October 1986. In my capacity as the Chairman of the said Task Force Meeting, I was assigned with the task of submitting to your esteemed Committee a Draft Agreement to be prepared by the ICDT on the basis of the guidance given by the Task Force.

According to the agreement reached during the Task Force Meeting, the ICDT was to prepare the first version of the Draft Agreement in cooperation with the Ankara Centre, the IDB, the ICCICE, and to report regularly at each stage of the progress. This version of the Draft
Agreement was to be sent by ae, and through the OIC General Secretariat, to the Member Countries for their consents. The ICDT was to prepare the final version of the Draft Agreement incorporating the comments of the Member Countries.

I was asked to submit this Draft Agreement, together with the reactions of the Member Countries, to the present meeting of the Follow-up Committee, but, I did not receive from the ICDT the Draft Agreement together with the reactions of the Member Countries, consequently I am not in a position to present them to this Committee. However, I would like to give a brief account of the progress achieved on the subject since the Task Force Meeting.

According to the resolutions taken at the COMCEC fora, the Task Force, after lengthy discussions and examination of various aspects of the issue, agreed on certain principles and guidelines for the establishment of a Trade Preferential System among the OIC Member Countries (TPS/OIC). According to these principles and guidelines:

a) The System should be based on reciprocity of concessions and mutuality of advantages;
b) It should take into account respective levels of economic development, and consequently, should include special provisions for the Least Developed Member Countries;

c) The System should not be conceived as a substitute to any of the existing trade preferential arrangements but as a supplement to them;

d) It should take into account the current legal obligations of the Member States towards third parties;

e) It should cover all types of products, manufactures and commodities in their raw and processed form. The inclusion of certain services should also be considered in the System.

Consequently, the Task Force asked the ICDT to draw up a Draft Agreement in line with the agreed principles and guidelines, in close cooperation with the relevant QIC organs, especially the Ankara Centre (SESRTCIC), the IDB and the ICCICE.
ANNEX XI

to OIC/COMCEC-FC/3-87/REP

Accordingly, the ICDT prepared a Draft Agreement for the establishment of such a system and sent it to the COMCEC Coordination Office, the OIC Secretariat, the IDB, the ICCICE, and the Ankara Centre (SESRTCIC) for their views and consents.

During the Fifth Islamic Summit Conference in Kuwait, in January 1987, some unofficial consultations took place between the ICDT, the COMCEC Coordination Office and the SESRTCIC on this first version of the Draft Agreement. It was agreed during these consultations that, in line with international practice, a General Framework Agreement containing only the basic principles and guidelines of the TPS/OIC should first be submitted to the approval of the Member States. It was thought that, once the willingness of the Member States is secured in this manner, it would become easier to proceed further with the Final Agreement which would be more comprehensive and detailed.

In a letter dated March the 4th 1987 that I sent to the ICDT in response to its cover letters asking for views on the first version of the Draft Agreement, I proposed some changes of editorial nature and made the following suggestions:
- It would be appropriate not to mention "across the board tariff reductions" in the Draft Agreement as a possible approach to be adopted during the negotiations, in view of foreign trade and tariff structures of the Member Countries which render the adoption of such an approach rather difficult.

In order to make the TPS/OIC more attractive as compared to other similar arrangements involving the Member Countries, such as the GSTP, it would be appropriate to enhance it by the inclusion of some additional measures and incentives; for instance, to design a credit or payments arrangement as an integral part of the TPS/OIC; Alternatively, ways and means may be examined to link the TPS/OIC to one of the existing or prospective financial schemes, such as the Longer-Term Trade Financing Scheme established within the IDB.

Consequently, while the ICDT is working on the present Draft Agreement, a draft of a general framework document, under the title of "A Preliminary Text for A Draft
Seclaratioa on the Establishment of a Trade Preferential System Among the OIC Member States" has been prepared by the COMCEC Coordination Office, with a view to expedite a decision of your esteemed Committee on the appropriateness of such an approach.

The Follow-up Committee may wish to consider the circulation of this draft framework document to the Member Countries for their examination and comments. The draft text proposed to this effect is already available to the members of this Committee.
A PRELIMINARY TEXT FOR A DRAFT DECLARATION ON THE ESTABLISHMENT OF A TRADE PREFERENTIAL SYSTEM AMONG THE OIC MEMBER STATES

Submitted by the COMCEC Coordination Office to the Third Meeting of the Follow-up
Istanbul, 20-21 April, 1987

The Member States of the Organization of the Islamic Conference:

RECOGNIZING that economic cooperation among the OIC Member States is a key element in the strategy of collective self-reliance and an essential instrument for the achievement of a balanced and equitable process of global economic development;

BEARING IN MIND the Plan of Action to Strengthen Economic Cooperation among the Member States adopted at the Third Islamic Summit Conference and the General Agreement on Economic, Technical and Commercial Cooperation among the Member States;
ANNEX XII

to OIC/COMCEC-FC/3-87/REP

RECALLING the resolutions adopted at the First and Second Sessions of the Standing Committee for Economic and Commercial Cooperation (COMCEC), requesting the working out of the principles, rules, Methodology and time-table for negotiations to set up a Trade Preferential System among the OIC Member States;

WITH REGARD TO the paragraph 2 (c) of decision L/4903 of the Contracting Parties of the General Agreement on Tariffs and Trade (GATT) of 28 November 1979 on preferential trade concessions among developing countries;

CONVINCES THAT the exchange of trade concessions on a preferential basis constitutes one of the major instruments for the promotion and expansion of trade among developing countries, thereby contributing to the growth of world trade and the promotion of a more balanced and equitable process of global economic development;

HAVE AGREED TO establish a Trade Preferential System among themselves, and recommended the preparation of an Agreement, incorporating the basic principles of the System, its framework, methodology and establishment of a Committee of Participants. The System to be established will be based on
the following principles and guidelines as contained in the Report of the Task Force Meeting on a Trade Preferential System held in Izmir, 25 - 27 October 1986.

I. The System shall be reserved for the exclusive participation of the Member States of the OIC and groupings composed only of Member States of the OIC;

II. The System shall be based and applied on the principle of autuality of advantages in such a way as to ensure benefits to all participants equitably;

III. The System shall be negotiated step-by-step, improved and extended in successive stages, with periodic reviews;

IV. The System shall take into account the respective levels of economic development of Member States and, consequently, shall include special provisions for the least developed Member States;

V. The System shall not be conceived as a substitute to any of the existing trade preferential arrangements but as a supplement to then;
ANNEX XII

to OIC/COMCEC-FC/3-87/REP

VI. The System shall take into account the legal obligations of the Member States towards third parties;

VII. The System shall cover all products, including commodities in their raw, semi-processed and processed forms and Manufactures; the inclusion of services shall also be considered in the System.
TEXT OF PRESENTATION BY MB. YASAK YAKIŞ,
CHAIRMAN OF THE TASK FORCE MEETING ON
"TRADE INFORMATION NETWORK AMONG THE OIC MEMBER COUNTRIES"

Submitted to the Third Meeting of the
Follow-up Committee of the COMCEC

Istanbul, 20-21 April, 1987

In my capacity as Chairman of the Task Force Meeting on Trade Information Network, I was assigned to present to this Meeting the revised version of the feasibility study to be prepared in accordance with the principles and guidelines as agreed in the Task Force Meeting held in Izmir on 21-23 October 1986. However, I am not in a position to present the said report due to unforeseen delays in the completion of the studies asked by the Task Force. Nevertheless, I would like to summarize the progress achieved on this subject since the Task Force Meeting.

It was recommended during the Second Session of the COMCEC that an open ended task force be set-up to revise the feasibility study with a view to develop a system of data bases for collecting and disseminating a maximum
of information on trade within the OIC, eliminating duplication and sharing existing facilities through appropriate budgetary Adjustments to ensure that no additional cost is incurred.

A Task Force meeting on Trade Information Network was held in Izmir, 21-23 October 1986. The Task Force elaborated on the principles and guidelines for the revision of the study prepared by the ICDT. The Meeting noted that the feasibility study previously prepared by the ICDT contained three alternative structures with varying degrees of centralization for the acquisition and dissemination of trade data. After careful review it was concluded that the alternative of a decentralized model, as outlined in the feasibility study prepared by the ICDT, should be further examined and elaborated, taking into account the need for a central coordinating unit with the purpose of overseeing the operations of the network in conformity with the mandate given by the COMCEC.

In the light of the discussions held in the Task Force Meeting the following principles were agreed upon:

- The network to be established should be decentralized both at the level of data collection
and that of dissemination with the purpose of deriving a maximum advantage from the existing capacities within the OIC.

The network should be developed among Member Countries in a step-by-step approach that would initially cover those countries able and willing to participate in the system which, in its final stage of development, would be extended to all Member Countries.

The ICDT would act as the coordinating body, in close cooperation with Member Countries and other relevant organs of the OIC and other international organizations during the establishment and the operation of the network.

In view of these principles, the Task Force decided to establish an Ad Hoc Experts' Contact Group to review the first draft of the revised version of the feasibility study so as to facilitate the feasibility study to be prepared by the ICDT in cooperation with other relevant OIC Institutions.
However, in view of the unforeseen delays in the completion of the necessary studies, the Meeting of the Ad Roc Experts’ Contact Group could not be convened. It will take place when the revised version of the feasibility study is completed.

The questionnaires, as decided by the Task Force, were sent to all Member Countries; the ICDT has only received two answers up to this date.

However, although the answers to the questionnaires have not been fully received yet, the ICDT has prepared a revised version of the feasibility study based upon the principles and guidelines as determined during the Task Force meeting.

According to the recent information I have received from the ICDT, a survey is being carried out by the Centre aiming to evaluate the quantity and quality of the available data bases in the Member Countries and their possibility of access to the data bases of other countries and relevant international organizations.

The Follow-up Committee may wish to invite through you, Mr. Chairman, the Member Countries to expedite their
responses to the questionnaires by emphasizing the importance of completion of this task in time so that it can be submitted to the Third Session of the COMCEC.

I would like to reiterate my thanks to the representatives of Member States, the ICDT and other related OIC institutions for the interest they have displayed by actively participating in the Task Force Meeting, and I wish that this interest may continue.
PROGRESS REPORT
OF THE ISLAMIC CENTRE
FOR THE DEVELOPMENT OF TRADE

THIRD MEETING OF THE FOLLOW-UP COMMITTEE
OF THE COMCEC

Istanbul, 20-21 April 1987

Islamic Centre for the Development of Trade
Casablanca, April 1987
Mr. Chairman,

It is an honour to be called upon to speak to this august assembly to give you an idea on the activities of the Islamic Centre for Development of Trade.

Some of these activities have, of course, been already submitted to you in the course of this meeting, namely the Trade Preferential System among Islamic Countries and the Trade Information Network. I would like, however, to add the following details concerning the Draft Agreement on Trade

Preferences:

1. Following the Izmir meeting, the ICDT has prepared a Draft Agreement which has been submitted for comments to the General Secretariat of the OIC, the COMCEC, the Ankara Centre, the IDB and the Islamic Chamber of Commerce.

2. The Centre has received the replies of the COMCEC and the Ankara Centre. While waiting for the other replies, the Centre has prepared a text in accordance with the comments of the COMCEC and the Ankara Centre and has forwarded it to the COMCEC Coordination Office.
3. The Experts' Group convened in Izmir has also recommended the elaboration of technical studies which may facilitate the establishment of the proposed system. The ICDT was already working on the subject, and carries on the collection and evaluation of the studies, documents and all elements required for launching the Trade Preferential System, and for determining both the steps to be undertaken and the technical and administrative infrastructure as well as any additional element liable to facilitate the work of the Member States.

4. Finally, the ICDT has taken up the elaboration of a general study on the principles and general framework of the prospective Agreement. This study could be submitted to the next session of the COMCEC.

In conjunction with this activity, the ICDT pursues its action, particularly in the fields of studies, information, training and promotion, especially for promoting Islamic products and fostering contacts among the companies of Member Countries. Concerning the studies, the ICDT undertakes comprehensive studies on Islamic trade and is currently preparing its third annual report for 1986. It also initiates sectoral studies, providing information on
the most important Islamic products, so as to give entrepreneurs in the Member States the opportunity to conclude deals directly, without the intervention of any third party.

In this field, the role of information appears significant; the centre proceeds to the collection of data either directly from the States, or in certain cases, from Islamic or international organizations. It diffuses information collected either on request or through the TIJARIS publication that it issues every other month.

In the field of Promotion, I would like to emphasize the following activities:

1. Services provided to businessmen and industrialists: the Centre answers questions related to trade regulations in Islamic countries, trade agreements signed between them, purchase and sales opportunities, etc.

The Centre is also approached in relation to the financing of certain specific trade operations and has had the opportunity to refer them to the IDB.
2. The preparation of an Inventory of Foreign Trade Operators: A first version is being printed and will be published shortly.

The ICDT carries on its training programme and has recently organized a seminar on COUNTERTRADE.

Mr. Chairman,

I have set aside two important subjects which I would like to dwell upon at the end of my intervention. The first one is related to the second session of the Meeting of the Officials of Export Promotion Agencies. You know that the first meeting was held in October 1985 in Istanbul; on this occasion the Chamber of Trade and Industry of Tangiers (Morocco) offered to host the second meeting. I would like to request the Follow-up Committee to launch an appeal to ensure full participation at this meeting to be held on 8-10 June 1987. The second subject concerns the Third Islamic Fair. Following the success of the Second Fair held in Casablanca in April 1986, the Arab Republic of Egypt has offered to host the Third Fair in October 1988. This country has already applied officially to the General Secretariat of
the OIC and has informed all the Member States accordingly. It has recently informed the ICDT of the above, underlining the fact that it has received 17 positive answers.

I would like to take this opportunity to inform this honourable Meeting on the above and to request that this matter be Mentioned in the documents to be adopted.
PROGRESS REPORT PRESENTED TO THE THIRD MEETING OF THE COMCEC, FOLLOW-UP COMMITTEE BY THE ANKARA CENTRE

Istanbul, 20–21 April 1987

STATISTICAL, ECONOMIC AND SOCIAL RESEARCH AND TRAINING CENTRE FOR ISLAMIC COUNTRIES
The Ankara Centre had been closely involved and had actively participated in the activities of the Standing Committee for Economic and Commercial Cooperation (COMCEC) since the preparatory stage of COMCEC-I which had met in November 1984. Having been established as a subsidiary organ aiming to contribute to the enhancement of cooperation in the areas of socio-economic statistics and information, socio-economic development and in technical cooperation and training, the Centre had deemed it a primary responsibility on its part to contribute, to the extent its limited resources permitted and specialised expertise rendered possible, to the technical work being done to help COMCEC carry out the mandate drawn for it by the Third Islamic Summit Conference. These contributions covered not only the activities of the COMCEC itself but that of the various specialised ministerial meetings being held under its aegis as well. In this report, therefore, reference will be made to progress achieved by the Centre to date in the various activities undertaken within the COMCEC framework.

Economic Cooperation

The main task that had been assigned to the Centre in this area was the preparation of a compendium of OIC resolutions passed in the various subject areas of cooperation mentioned in the OIC Plan of Action to Strengthen Economic Cooperation Among Member States which had been adopted by the Third Islamic Summit Conference in Taif in January 1981. In its efforts to draw up an implementation programme for the wide-ranging follow-up function foreseen in the original Summit resolution creating the Standing Committees, the COMCEC felt that it would be essential to have at hand an inventory of the past OIC resolutions in the areas of economic and commercial cooperation mentioned in its mandate. It was felt that only in this way a proper stock-taking of ideas, already put forth within the OIC framework and subsequent action taken on those ideas, could be made.
The task of preparing such an inventory was given to the Centre, in pursuance of which the Centre undertook an extensive survey on such resolutions already passed by the OIC Summits and Foreign Ministers Conferences, and presented its report to the Second Meeting of the COMCEC. In the light of the discussions subsequent to the presentation it was decided by the COMCEC that the study should be extended to cover the decisions and recommendations of expert groups and other OIC fora held at the technical level as well, and that the Centre should present this new more extensive survey to COMCEC-III in September 1987.

In pursuance of this particular decision, the Centre undertook an extensive survey of OIC economic meetings at all levels in the priority areas of the Plan of Action as had been determined by the Fourth Islamic Summit Conference going back to the inception of the Organisation. The initial compilation of all the meeting reports and other documents have been completed in each major area, although in certain instances some of the older reports were spotted with great difficulty. As a second step, recommendations of substance and operational paragraphs in decisions and resolutions were classified by main subjects within each area or sector. Thirdly, certain chronological and rational links among specific ideas and decisions were sought for cross-referencing so that it would be possible to trace the individual development and the ultimate fate of each major idea, suggestion or project over time. Once this process is completed, it would be possible to reach the final compendium of ideas, suggestions and projects laid out in a systematic and functional manner.

In the final stage of the study it would be possible to see which of these ideas and suggestions were fully implemented, which among them have become dormant over time and if there would be some that could be revived as feasible and readily implementable proposals for the review of and final adoption by the COMCEC. The study is currently in progress full force and it is expected to be completed by mid-summer, well in time for COMCEC-III to take appropriate action in the light of its conclusions.

Industrial Cooperation

The Ankara Centre had been associated closely with the OIC work in the area of industrial cooperation
since its inception. In a technical capacity, it contributed particularly to the Ministerial Roundtable Consultations on Industrial Cooperation held in February 1982 and in November 1984, the second one under COMCEC-I. It was an active participant of the Industrial Task Force which did valuable work between the two Ministerial meetings especially related to promotion and identification of joint ventures among OIC member countries.

In addition, as an integral part of its Long-term work Plan and annual work programmes, the Centre compiled and made available for community-wise distribution industry-related statistics and information, undertook indigenous research in relevant areas, organised training and technical cooperation activities particularly in the area of project selection, evaluation and management. Furthermore, it put out bulletins and directories on training opportunities, consultancy, training and research capacities in the OIC community, free zones in operation in the Islamic world, and on foreign investment and banking legislation effective in the member countries.

In terms of recent progress concerning more specific assignments the following could be reported to the Follow-up Committee:

1) The Centre has completed the report on "Small and Medium Size Manufacturing Enterprises in Turkey", prepared in cooperation with the UNIDO, as had been requested.

2) The Centre study entitled "Manufacturing Industry in the OIC Countries: 1973-1981" was completed in June 1986 and published in the Centre's quarterly journal in order that it may receive a wide distribution.

3) As a continuation of the Centre's research project on the existing joint-venture enterprises and joint investment companies established in the OIC countries by these countries themselves, the Centre has developed a new questionnaire and started its distribution to the member states with a view to collecting information on such entities. The information thus collected will be collated in appropriate formats for publication.
Progress Report to COMCEC-III

as reference for parties that would consider to undertake similar efforts in the coming years.

4) Regarding the recommendation made in the Second Meeting of the Follow-up Committee of the Ministers of Industry that "the Ankara Centre, the Association of the Development Finance Institutions in the Member Countries of the IDB (ADPIMI) and the Federation of Consultants come together to re-examine the present procedure for the identification and submission of projects and elaborate a more efficient procedure and that the experience of the IDB in this field should be made use of to the maximum extent possible" the Centre faced practical and conceptual problems in implementation. First, both ADFIMI and the Federation are just starting off so that they were not yet in a position to undertake any joint technical activity, which left the Centre by itself to deal with the matter without the benefit of contributions that needs to be made by parties actually involved. Furthermore, the Centre felt that, since the IDB experience was to serve as an important guideline in this important exercise, the Bank should be officially designated as a member of this study group.

5) In the area of Training and Technical Cooperation, the Centre tried to keep up the pace of its training activities, in spite of the fact that during the past year the critical financial problems experienced at the Centre necessitated significant cuts in many expenditure items. Despite such a constricted environment, the Centre was able to place nine participants from six countries into the training course of the Academy of the Water and Power Development Authority at Tarbela, Pakistan in September-October 1986. Secondly, the 1987 edition of the well-received annual Centre bulletin entitled "Training Opportunities in OIC Member Countries", listing 275 training programmes, seminars and courses on various subjects scheduled to be organised by member country institutions throughout the year, was published at the end of 1986 and distributed to relevant contact points in the Islamic World for reference.
6) In the area of publications relevant to Industrial cooperation, the Centre directories on Free Zones and on Foreign Investment Legislation are in the process of being revised and up-dated for publication in their final forms. Meanwhile, the Centre has published the first and second volumes of its Directory on Banking Laws of OIC Countries, covering the member countries in Asia and the Middle East, respectively. The volume on the African member countries is being processed for publication.

Cooperation in Trade

In keeping with the early and ever-expanding significance attached to trade within the framework of OIC economic cooperation activities, the Ankara Centre has included this important area into its work programmes from the very beginning and put out various basic studies on the subject one after the other in the first few years of its active life. Since the establishment and activation of the Islamic Centre for Development of Trade (ICDT) in Casablanca, however, the specialised work in this area has reverted to the latter, although, in terms of its overall data collection and distribution activities and the interdependence of trade with areas of active interest within its mandate, the Ankara Centre continues to give foreign trade a prominent place in its work agenda.

Furthermore, active participation of the Centre was expected and called for by the COMCEC, particularly in relation to the programme on development of trade adopted by the Trade Ministers during COMCEC-I in November 1984. In this connection, the Centre collaborated closely with the ICDT on various issues, participated actively in meetings organised by it and sent extensive comments on various documents referred to it by the said sister institution.

More specifically, the Centre was an active participant in the meetings of both the Task Force on the Establishment of a Trade Information Network for Islamic Countries and the Task Force on Trade Preferences Among Member Countries held in October 1986 in Izmir, Turkey. As a member of the Ad hoc Contact Group established by the Task Force on Trade Information Network, the Centre developed and supplied to the ICDT
three questionnaires aiming to collect information on a) Computer Facilities in the Islamic World, b) Trade Information Uses and Needs in the OIC Member Countries and c) Communication Facilities in the OIC Community. Concerning the establishment of a Trade Preferential Scheme Among the OIC Countries, the Centre commented extensively on the draft agreement referred to it by the ICDT within that context. The Centre has also informed both the meetings that the Centre data banks, computer facilities and other resources would be at the service of all concerned and the OIC community at large for the realisation of projects that would serve to develop and promote trade among the OIC member countries.

Cooperation in Agriculture

Cooperation in the field of Agricultural and Rural Development was another area which substantially occupied the Centre from its earlier years on. In this connection, the Centre was actively involved and contributed significantly to the preparation and the deliberations of the two Meetings of Ministers of Agriculture, held in October 1981 and March 1986. Furthermore, in its annual work programmes, the Centre regularly included data collection and dissemination activities, indigenous research papers on various aspects of the field and organised training programmes related to evaluation of agricultural and rural development projects and other subjects.

In the Second Ministerial Meeting it was suggested that the Centre can play a leading role in efforts to delineate Centres of Excellence in the OIC countries in the field of agricultural research and training and in the establishment of regional networks of institutions already engaged in such training and research. For this purpose, the Centre has developed a comprehensive questionnaire with a view to collection directly from the member countries information on such institutions which would later be evaluated to implement the resolution in question. This questionnaire has been circulated extensively within the OIC community and the Centre is in the process of sending reminders to the addressees so that the questionnaire responses could be expedited for timely completion of the study in question. Furthermore, the Centre is in the process of compiling a directory of institutions involved in forestry research, in keeping with the programme of
Progress Report to COMCEC-III

Cooperation drawn up in this important area at the expert group Meeting held in Pakistan in 1983 and adopted for implementation by the Second Ministerial Meeting in March 1986.

Cooperation in the Area of Transportation and Communications

In connection with the decision of COMCEC-II that the First Ministerial Meeting on Transportation and Communications would be held concurrently with COMCEC-III in September 1987, the Centre has supplied the organisers of the said meeting with a copy of the file on its on-going research on the compendium of OIC resolutions, decisions and recommendations, to the extent it relates to the subject, as it had been suggested by COMCEC-II.

Furthermore, the Centre, as a part of its regular programme of work would like to inform the Follow-up Committee of the following studies in this priority field of the Plan of Action, all of which are planned for distribution at the Ministerial Meeting in September 1987:

1) "Maritime Transport in the OIC Countries: Some Major Issues", the first draft of which is being reviewed at present.

2) "Telecommunications Sector in the OIC Member Countries", the first draft of which has been completed only recently.

3) "Financing Transport and Telecommunications Projects in the OIC Countries, 1979 - 1985: the Role of the National and Regional Development Finance Institutions", the first draft of which is under completion.

Cooperation in the Area of Money and Finance

Although not a priority area of the Plan of Action, in keeping with the decision of COMCEC-II that the Seventh Meeting of the Governors of Central Banks and Monetary Authorities of the Member States be held in March 1987, the Centre presented a comprehensive report on the Monetary and Financial Situation of the OIC Member States to the said Meeting. Furthermore, as a
part of its regularly programmed activities, the Centre organised, jointly with the Central Bank of the UAE in Abu Dhabi in February 1987, a seminar entitled "Coordination of Monetary Policies on Regional Basis". The two-day seminar was attended by the highest officials and experts of the Central Banks in the Gulf Region and some other countries and was judged as a highly successful venture by all the participants.

In summary, the Centre, despite a highly constricted financial situation that had reached crisis proportions for the past year or so, did its best to fulfill the tasks assigned to it within the COMCEC framework, as well as do more by keeping to its highly diversified work programme geared to the totality of the economic cooperation activities of the QIC.
DRAFT AGENDA
OF THE OIC FIRST MINISTERIAL MEETING
ON TRANSPORT AND COMMUNICATIONS

(Istanbul, 7-10 September 1987)

1. Inaugural Session
2. Election of the Members of the Bureau
3. Adoption of the Agenda
4. Formation of the Committees
5. Background Report by the General Secretariat
6. General Discussions
7. Comparative Evaluation of the Current Potentials of the Member States in the Field of Transport
9. Cooperation in Maritime Transportation
10. Cooperation Among the Railway Administrations of the Member States.
11. Establishment of a Follow-up Mechanism
12. Any other Business
13. Date and Venue of the next meeting
14. Adoption of the Report and Resolution to be submitted to the COMCEC
15. Closing Session
DRAFT AGENDA
OF THE THIRD SESSION OF THE STANDING COMMITTEE
FOR ECONOMIC AND COMMERCIAL COOPERATION OF THE
ORGANISATION OF THE ISLAMIC CONFERENCE

(Istanbul, 7-10 September, 1987)

1. Opening of the Session

Inaugural Statement by H.E. Kenan EVREN, President of the Republic of Turkey, Chairman of the COMCEC.

Statement by H.E. Turgut ÖzAL, Prime Minister of the Republic of Turkey, Alternate Chairman of the COMCEC.

Statement by H.E. S.S. Pirzada, Secretary General of the OIC.

Statements by the Heads of the Delegations on behalf of the Regional Groups of Member States.

Statement of H.K. Dr. Ahmed Mohammed All, President of the IDB.

2. Election of the Members of the Bureau

3. Adoption of the Agenda

4. Report of the OIC General Secretariat

5. Report of the Follow-up Committee

6. Report of the Senior Officials' Meeting

7. Report by the IDB on the Status and Operations of the Longer-Term Trade Financing Scheme

8. Report by the IDB on:
ANNEX XVII

to OIC/COMCEC-FC/3-87/REP

- Multilateral Islamic Clearing Union
- Regional Export Credit Guarantee Scheme
9. General Agreement on a Trade Preferential System Among the OIC Member States
10. Report of the Ad Hoc Experts Contact Group on "A Trade Information Network for Islamic Countries"
11. Report by the SESRTCIC on the OIC Economic Resolutions
12. Progress Report by the IAIB
13. Assistance to Drought Stricken African Countries
16. Any Other Business
17. Adoption of the Report and Resolutions
18. Date and Venue of the Fourth Session of the COMCEC
19. Closing of the Session
CLOSING STATEMENT BY H.E. KAYA ERDEM,
Minister of State, Deputy Prime Minister of the
Republic of Turkey, Chairman of the Follow-up
Committee of the COMCEC

Your Excellencies,
Distinguished Guests,

We have come to the end of the third meeting of the Follow-up Committee of the Standing Committee for Economic and Commercial Cooperation of the Islamic Conference. I would like to thank all Committee members and all those concerned for their valuable contributions and fruitful work.

I would like to reiterate my pleasure in observing the important developments in the field of economic and commercial cooperation which is one of the essential fields of cooperation and solidarity among Islamic Countries. Economic and commercial cooperation activities among Islamic countries were launched just a few years ago; the important achievements realized in
such a short period allow us to have high hopes for the future. The great potential that Islamic countries possess in this field induces me to believe that the results derived from economic and commercial cooperation will greatly contribute to the development and the welfare of OIC Member Countries.

We have, at this meeting, reviewed the developments that took place since the Second Follow-up Meeting as well as certain points related to the planned activities of the COMCEC. One of the most important developments in this respect was the establishment of the Longer Term Trade Financing Mechanism within the framework of the IDB. This mechanism will become operational when a minimum of ten Member States contribute 75 million Islamic Dinars. I consider the fact that 17 countries having already committed themselves with a total contribution of 120 million Islamic Dinars a very satisfactory achievement.

My greatest desire would be that the activities concerning the establishment of the Multilateral Islamic Clearing Union and the Export Credit Guarantee Scheme be similarly finalized, thus enabling them to
become efficient promotion tools of cooperation among our countries.

It is a satisfactory development that efforts are being made for the establishment, at of the Trade Preferential System among the Member Countries and that a study will be carried out by the Islamic Development Bank on technical cooperation with the view of expanding the scope of technical cooperation among Member Countries, to be submitted to the Third Session of the COMCEC.

The various items to be discussed at the First Meeting of the Ministers of Transportation and at the Third COMCEC meeting have been determined as a result of your arduous efforts.

I sincerely wish that all resolutions adopted and conclusions reached be beneficial to our countries and to the world at Jarge.

Before ending this closing statement, I would like to thank the interpreters and the auxiliary personnel for their laudable efforts and services.
With the hope of seeing you again at the Third COMCEC Meeting in September. I wish you a pleasant trip back home.