

**ITFC PROGRESS REPORT ON
ENHANCING INTRA-OIC TRADE**



32nd MINISTERIAL SESSION OF THE COMCEC

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A. INTRODUCTION

1. Message from ITFC CEO

I am delighted to present to the 32nd Ministerial Session of the COMCEC this report on the progress achieved by ITFC to enhance trade and trade cooperation among OIC MCs and to support the implementation of the relevant resolutions of the 31st Session of COMCEC.

ITFC was established to enhance trade among OIC MCs through providing trade finance and trade-related technical-assistance. ITFC aims to be a recognized provider of trade solutions for OIC MCs' needs. Since inception in 2008, the total trade financing approvals provided by ITFC until the end of 2015 reached to US\$31.3 billion with a record high approval of US\$6.05 billion in 2015 alone. Despite the recurring global financial and economic crisis, ITFC succeeded to increase its trade finance approval, while focusing on creating impact on MCs' trade and economic development through diversification of the trade finance portfolio and development of new trade financing products.

The report will also show that supporting trade development and cooperation amongst OIC MCs remained the primary focus of ITFC. In this regard, ITFC developed partnerships with international, regional, and national institutions to design and deliver trade related technical assistance to MCs through its various Flagship Programs. The interventions fall under the domain of capacity building, trade promotion, trade facilitation, development of strategic commodities and trade mainstreaming.

ITFC has worked closely with the OIC Institutions, namely ICDT, COMCEC Coordination Office, OIC Secretary General to create synergy among similar programs and capitalize on mutual strengths and experiences to contribute to the accomplishment of the objectives set by the OIC Plan of Action-2025 and COMCEC Strategy.

The strategic framework of ITFC in the coming years will focus on several objectives. These objectives include building partnership to create sustainable development impact through providing integrated trade finance & trade development solutions to MCs. Furthermore, ITFC will enhance its efforts to develop customized Islamic trade finance solutions, facilitate knowledge & experience transfer between MCs, diversify ITFC's trade finance, and support OIC trade development and cooperation initiatives. Finally, ITFC is pleased to continuously report its efforts in enhancing intra-OIC trade cooperation to the honorable delegates of MCs.

2. Brief about ITFC

The International Islamic Trade Finance Corporation (ITFC) is an autonomous entity within the Islamic Development Bank (IDB) Group created with the purpose of advancing trade to improve the economic condition and livelihood of people across the Islamic world. ITFC has consolidated all the trade finance businesses that used to be handled by various windows within the IDB Group. It commenced operations in January 2008.

The consolidation of the IDB Group's trade finance activities under a single umbrella increased the Corporation's efficiency in service delivery by enabling rapid response to customer needs in a market-driven business environment. As a leader in Shari'ah-compliant trade finance, ITFC deploys its expertise and funds to businesses and governments in its member countries. Its primary focus is to encourage intra-trade among OIC (Organization of Islamic Cooperation) Member Countries (MCs).

Operating to world-class standards, the ITFC's mission is clear from its mandate to be a catalyst for trade development among OIC member countries and beyond. Consequently, while extending trade finance and improving Member countries access for funding, on the other side, ITFC through its Trade Cooperation and Promotion Program (TCPP) provides trade related technical assistance under five business lines, namely trade promotion, trade facilitation, capacity development, trade mainstreaming and development of strategic commodities.

As a member of the IDB Group, ITFC has unique access to governments in its member countries and works as a facilitator to mobilize private and public resources towards achieving its objectives of fostering economic development through trade. The Corporation helps businesses in member countries gain better access to trade finance and provides them with the necessary trade-related capacity building tools in order to help them compete successfully in the global market.

3. The OIC Program of Action-2025 & Resolutions of the 31st Session of COMCEC

The OIC Program of Action for 2015 and the relevant resolutions of the last Session of COMCEC are the reference documents for ITFC to define its roles in enhancing trade and trade cooperation among OIC Member countries. As envisaged in these documents, ITFC contributes to promoting trade exchanges among the OIC Member countries by providing trade finance and trade related technical assistance through its various flagship programs and initiatives.

The 31st Session of COMCEC approved following resolutions, whereby ITFC was requested to continue its efforts in contributing to trade and trade cooperation among OIC Member countries.

- *“ Appreciate trade finance and trade promotion activities of ITFC and the mobilization of funds from the international market for funding the trade operations in the Member Countries, contributing the achievement of intra-OIC trade target of 20 percent,*
- *Commends the efforts of ITFC in financing the SMEs, Least Developed Member Countries (LDMCs), and diversifying the financing products and programs,*
- *Calls upon the Member Countries to complete their membership requirements for the institutions of the IDB Group (ITFC and ICIEC) so that the IDB Group implement its mandate successfully,*
- *Takes note of the progress on the implementation of the Aid for Trade Initiative for the Arab States (AfTIAS) and Arab Africa Trade Bridge Program of ITFC; and invite the concerned Member Countries to actively participate and support the implementation of these initiatives,*
- *Welcomes the effort of IDB Group (ITFC) for the preparation of the Special Program for Central Asia (SPCA) and invite other OIC Institutions and concerned Member Countries to actively participate and support the implementation of this initiative,*
- *Takes note of the efforts of the ITFC to organize a Trade Development Forum to raise awareness on the trade financing facilities of the ITFC among the private sectors of the Member Countries and encourage them to actively participate in the forum.”*

B. ITFC TRADE FINANCE OPERATIONS for DEVELOPMENT

ITFC fulfills its mandate through two main lines of business: 1) Trade Finance, and 2) Trade Development. On the trade finance side, ITFC extends financing for funding trade to sovereign governments, private sector companies, and Small & Medium Enterprises (SMEs) through lines of financing extended to local and regional Banks.

During the eight years since its inception in 2008 (1429H), ITFC registered remarkable growth in its trade finance portfolio, with cumulative approvals reaching US\$31.3 billion, and more importantly, utilization of approved financing at US\$22.0 billion. During the same period, the organization succeeded in mobilizing funds to the tune of US\$24.5 billion from partner banks and financial institutions in the market. It is worth highlighting that Resource Mobilization remains a key advantage, which ITFC brings to its Member Countries. In 2015 (1436H) ITFC recorded yet another year of strong performance in its trade finance activities with approvals reaching US\$6.05 billion (up from US\$5.2 billion in the previous year), and disbursements of US\$4.55 billion (up from US\$2.8 billion). The following are details about the areas of impact of ITFC's trade finance interventions.

1. Contributing to Energy Security in Member Countries

Sustainable access to energy is a key driver of economic and social development. Energy services have multiple impacts on productivity, people's health, education, and food security.. According to estimates, 3 billion people around the world are lacking access to electricity where more than 95% of these people are in Sub-Saharan Africa (SSA) or developing Asia and 84% are in rural areas. A lack of infrastructure and access to energy are the main reasons for the sector's underperformance in those countries.

Therefore, improving access to energy is crucial to unlocking the potential for faster economic and social development. It is in this context that ITFC considers supporting the energy sector as one of the main pillars of its strategy in its interventions in Member Countries. As such, ITFC remains a historical partner for providing financing to secure fuel oil in order to maintain stability for electricity generation reaching large number of the disadvantaged population.

ITFC's financing provided for the energy sector is characterized by the following:

- In 2015 (1436H), energy products financing represented about US\$4.4 billion or 74% of total approval, with 34% for crude oil and 40% for petroleum products financing;
- The bulk of the energy-related financing are for countries in Asia and MENA followed by countries in Sub-Saharan Africa;

- ITFC sustained similar level of financing for the sector despite the drop in oil prices. As a result, its financing for energy commodities had greater impact than last year as more volumes of energy were secured for the same amount of financing.

2. Supporting Agricultural Exports of Key Commodities

ITFC interventions in the agriculture sector continued to cover a wide range of commodities, ***which helped in creating jobs, improving productivity, alleviating poverty, and bolstering food security.*** In 2015 (1436H), approvals for the sector amounted to US\$733 million, which received the second largest allocation after energy. During the year, ITFC approved 16 operations in eight Member Countries. The following are the key features of ITFC's financing in the agriculture sector:

- The bulk of the financing is towards support of ***key export commodities such as cotton and groundnuts;*** Financing was also provided for wheat export (mainly in Kazakhstan);
- Africa accounts for the largest share in this portfolio with Burkina Faso, Cameroon, and The Gambia being the main beneficiaries.

3. Promoting Islamic Banking while serving SMEs in Member countries

In order to reach a larger number of SMEs in Member Countries, ITFC provides Murabaha Financing to local financial institutions and commercial banks, which in turn extend the financing to SMEs. This ensures the SMEs in utter need to gain access to finance; simultaneously promotes Islamic Banking through the partner banks who are introduced to Islamic financing instruments.

One region where SMEs face severe gap in access to finance is Sub-Saharan Africa (SSA). In 2015 (1436H), ITFC approved a total of US\$144 million in Two-Step Murabaha financing in SSA. This amount represents about 25% of the total approvals in the region and about 20% of the total Two-Step Murabaha Operations approved by ITFC during the year. Within SSA, ITFC is currently providing Murabaha Financing to eight Intermediary Financial Institutions in five countries; Nigeria, Cote D'Ivoire, Mozambique, Burkina Faso and Togo, with more financing planned to reach additional Member Countries.

4. Mobilizing resources for funding Trade

In 2015 (1436H), partnership once again proved to be one of the key factors behind ITFC's ability to grow its trade finance business, especially in the current challenging global and regional environment. Ensuring optimum ways of balancing between risk and expanding ITFC's portfolio in the context of the prevailing operating environment had been one of the major challenges.

Nevertheless, ITFC was able to expand its network of partners from international, regional and local financial institutions and banks. It now enjoys a diverse network that includes more than 70 active partners. The partnership with the IDB Group and the

funds within the IDB also played an important role in raising many successful syndications by ITFC during 2015 (1436H). Through this network of partners, ITFC was able to mobilize US\$4.2 billion in 25 syndicated operations in favor of 15 Member Countries, which represents about 68% of the total trade financing provided by ITFC in 2015 (1436H).

5. Enhancing Support & Collaboration through Field Presence

In an effort to better serve its Member Countries and scale up its activities, ITFC took the strategic decision to move closer to the market and establish regional presence in Member Countries through the existing IDB Group Regional Offices (ROs) and newly established Country Gateway Offices (CGOs). Currently, ITFC has presence in Dakar Senegal; Istanbul Turkey; Jakarta Indonesia; and Dhaka Bangladesh, with expectation soon to be present in the recently established ITFC Branch in Dubai UAE.

The efforts to enhance its regional presence and be closer to the market is already yielding significant benefits with improvement in client relationships, market visibility, drive for higher business volume, and improved utilization of approved operations. ITFC is aiming to further strengthen its regional presence over the next 3 years, with plans to relocate most of the client-facing staff from Headquarter to the ROs and CGOs. The increased presence will help implement ITFC's strategic priorities in member countries, in line with its 10-year strategy.

C. TRADE COOPERATION AND PROMOTION PROGRAM (TCPP)

1. Platforms of Cooperation for Enhanced Regional Economic Integration

1.1. Aid for Trade Initiative for Arab States (AFTIAS)

The Arab Region faces today a number of major challenges that have hindered many of the Arab States' capacity to reap the benefits of regional and international trade that is only possible if economic integration and complementarity is achieved at regional and international level. Findings of various studies undertaken by regional international organization has proven this fact. As per the International Trade Center (ITC)'s recent study on impacts of regional integration in the Arab Region indicates that elimination of Non-Tariff Measures (NTMs) to trade in and across the border has high potential to increase intra-Arab trade by 10 % and create at least 2 million new jobs.

With a view to enhance the trade cooperation & integration among Arab States and with the rest of the World, ITFC has taken the initiative to design and implement a Regional Trade Development Program with a particular focus on "enhancing regional integration" to fuel the economic growth and development. The Aid for Trade Initiative (AFTIAS) Programme was prepared and launched in December 2013 as a 3 years programme, after extensive consultation and cooperation with national, regional and international trade development and cooperation agencies. AFTIAS.

The AFTIAS is a multi-donor, multi-agency and multi-stakeholder program that aims at fostering Arab region trade exchange & economic development through enhancing enterprises cooperation and improving enabling business & investment environment in and across the border of the League of Arab States (LAS) Member countries.

More specifically, AFTIAS Program objectives are:

- Enhance regional competitiveness through trade policy reforms and strengthening Trade Support Institutions (TSIs) institutional capacities;
- Strengthen trade supply side and value chain integration;
- Strengthen regional and sub-regional trade cooperation organizations' capacity to better administer trade integration policies & programs.

As a technical assistance vehicle for the development of trade between Arab states, the AFTIAS raised interest, over a relatively short period of time, among development partners and donors, as well as in the target countries. Five UN Agencies (ILO, ITC, UNCTAD, UNDP and UNIDO), The League of Arab States (LAS), the Permanent Missions of Arab Countries in Geneva, the Arab Regional Organizations are involved in the project implementation. The program implementation is expected to be completed by end of 2017, which will be followed by an external program evaluation and assessment exercise.

Among the important projects that benefitted from AfTIAS resources during the current phase are the following:

- **Support to the League of Arab States** in promoting regional trade integration, through the strengthening of the capacity of the Department of Economic integration, Economic Affairs at the Secretariat of the Arab League (implemented by UNDP);
- **Performance improvement of the trade and transport corridors** between Sudan and Egypt, Egypt and Saudi Arabia, Saudi Arabia and Jordan, through the enhancement of customs procedures and the equipment of the border centres (implemented by the UNDP);
- **Improvement of regional competition by addressing non-tariff measures** in Egypt, Jordan, Morocco, Palestine, Saudi Arabia, Sudan, and Tunisia and identifying concrete actions at national and regional levels to eliminate non-tariff restrictions (implemented by ITC);
- **Support to the accession of Sudan and the Comoros to the World Trade Organization (WTO)** by providing technical support and capacity building in the field of trade policy, institutional and legal frameworks related to trade reform (UNCTAD);
- **Enhancing the skills of workers in selected export sectors in Egypt** through the application of training tools that aim to help matching the needs of the industry and the skills of job seekers in the sectors of food industry, wood and furniture (implemented by ILO);
- **Strengthening of trade support institutions** in Algeria, Egypt, Kuwait, Lebanon, Oman and Saudi Arabia (implemented by the ITC);
- **Support to small and medium-sized companies** in the Gulf Cooperation Council (GCC) for access to foreign markets project (implemented by ITC);
- **Training of Youth for Employment in international trade**, (implemented by Foreign Trade Training Center (FTTC), Egypt);
- **Capacity Building and Institutional Support Program for Nouadhibou Free Zone** of Mauritania to adopt international practices in organization design, human resources management, financial planning and management (implemented by Islamic Corporation for Development of Private Sector (ICD), IDBG.

1.2. Special Program for Central Asia (SPCA)

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

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

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

for business travelers and truck drivers and tourists;

Meanwhile, ITFC undertook necessary arrangements to implement two training programs for government authorities and TSIs on the following subject, which will lay the ground for further activities as envisaged by the program.

- Training on Market Analysis & Trade Flows
- Training on Paperless Trade to facilitate cross border trade

These training programs will provide input for Member countries and ITFC about potential sectors, markets, obstacles in trade, that will be addressed within the program. In this direction, ITFC plans to exert efforts with national governments to improve the legal, regulatory framework for trade and investment to utilize Member countries production and trade capacities in agriculture sector. ITFC seeks to promote the development of commodity markets in the region by introducing bonded warehouse licensing, warehouse receipt as a collateral and liquid asset in the banking sector.

1.3. Arab Africa Trade Bridge Program (AATB)

The intra-regional trade between Arab States and African Member countries of OIC does not reflect the trade potentials between both regions. As a result, ITFC, Saudi Export Program (SEP), Arab Bank for Economic Development in Africa (BADEA), Islamic Corporation for the insurance of the Investment and Export Credit (ICIEC), agreed to form a partnership platform to address this issue by developing a regional trade promotion program with a view to boost intra-trade between the two regions.

The Arab-Africa Trade Bridge aims at addressing some of the challenges limiting the business society and concerned trade authorities of the countries in the regions to benefit from the existing trade potentials. The ultimate objective of the program is to lever new commercial partnerships, strengthen existing ones and increase business development, trade and investment in both region through partnership and consultation among trade institutions. In 2015, soft launching of the program was undertaken by ITFC, while its efforts in resource mobilization were on going. Within the scope of the program, ITFC supported participation of African companies in two international exhibition organized in Amman, Jordan and Cairo, Egypt in November 2015.

ITFC in cooperation with ITC will conduct an “ Export Opportunity Study for Arab Africa Trade Bridge” in the 1st quarter of 2017 to identify priority sectors, which demonstrate concrete potential for increasing exports/imports between OIC member countries in Sub-Saharan Africa and the Arab region, and where relevant, specify trade flows potential by sub-region. The study will also assess market access conditions and existing barriers to trade and identify the key enterprises producing, exporting and importing the products under consideration. In addition, ITFC will organize a training program for TSIs and TPOs on ITC’s market analysis tools to develop sustainable in house capacities to undertake such trade flow analysis by using ITC’s existing trade data. Both study and

training will be preparatory steps toward organization of specialized B2B events in cooperation with TSIs.

In 2016, ITFC continues providing financial support for the organization of international exhibitions in the targeted countries and plans to collaborate with Member countries in the organization of regional trade caravan projects. Furthermore, the program partners aim to offer trade-financing options to trade deals as well as offering credit and investment insurance facilities within the scope of this program. Program partners consider extending technical assistance to Egypt and Morocco to undertake preliminary studies, which aims to identify physical and non-physical requirements for the development of Logistical platform to cover West and North African countries. The establishment of the logistical platform will facilitate the intra-regional trade between Arab and African Member countries through facilitating the access to local companies for cross-border trade with lower trade and transportation cost.

1.4. IDB Group –WB Group “Deep Dive Initiative”

The partnership between the World Bank (WB) Group and IDB Group is based on a shared commitment to reduce poverty, boost shared prosperity, foster economic development, and promote social progress across their common membership and beyond. This partnership has focused on both parallel-financing and technical assistance projects. Parallel-financing has focused primarily on the infrastructure sector, with 72 projects worth approximately US\$ 24 billion invested in common member countries in Africa, Asia and MENA.

Both institutions have also collaborated on a number of flagship programs focused on mutual priorities, including a MoU on knowledge sharing and capacity building in Islamic Finance, the Education for Employment initiative with the ITC, the Arab Financing Facility for Infrastructure Technical Assistance Facility, and most recently, the Education for Competitiveness initiative. With a view to further strengthen the strategic partnership on the shared priorities, the WB Group and IDB Group management renewed their commitment and extended their cooperation to achieve the shared development objectives by signing a Strategic Partnership Framework Agreement in October 2015.

Within the scope of Deep Dive exercise, parties identified specific areas, in which projects and initiatives could benefit from common work, including parallel financing arrangements, knowledge sharing and capacity building programs. These areas are agriculture, education, energy, fragility, innovative and Islamic finance, trade and transport facilitation.

From IDB Group side, ITFC and IDB Infrastructure Department have taken the lead to identify key intervention areas in consultation with their counterparts from the WB Group. Following a series of discussions among the technical teams, the parties decided to join their efforts and resources to

- (i) Improve transport corridors to eliminate bottlenecks and improve border connectivity,

- (ii) (ii) Modernize border crossings and harmonize custom regulations and related procedures to improve trade facilitation and reduce border crossings delays,
- (iii) (iii) Foster economic growth and investment along the transport corridors to improve national, regional and sub-regional connectivity.

First IDB Group-WB Group workshop on “ Cooperation on Transport Infrastructure and Trade Facilitation” under the Deep Dive Initiative was organized in Amman, Jordan during 23-14 February 2016. It aimed at enhancing regional integration and trade facilitation between Iraq and the neighboring countries. The workshop also served as a platform to discuss with different stakeholders from the region priority areas of possible IDB-WB interventions, both in infrastructure and border harmonization/custom reforms.

During the two-days workshop, WB Group and IDB Group staff delivered presentations on transport corridors and trade facilitation including local economic development along corridors and potential financing mechanisms; border crossing modernization, customs reforms and introducing successful PPPs in challenging environment.

The meeting concluded that IDB Group and WB Group’s hard and soft interventions have to be mutually planned and implemented to create the necessary hard physical infrastructure and to develop enabling legislative and regulatory environment for the smooth movement of goods and services. The meeting also reconfirmed that while addressing the hard and soft infrastructure issues, financial facilities for investment and trade should be made available to support development of productive capacities along the transport corridors to turn them into viable economic corridors.

2. Partnership for Trade Capacity & Knowledge Development

2.1. Trade Knowledge Bridge Program (TKBP)

Trade related capacity-building activities such as organizing trainings, workshops, seminars, and conferences are among ITFC’s regular activities carried out in cooperation with its capacity-building partners. TKBP is an umbrella program of ITFC, which consolidates its capacity building activities and materializing experiences and know-how of its development partners to create sustainable trade capacities both in public and private sectors in OIC Member countries. It has four building blocks, which comprise different sets of activities/initiatives:

- 1) Experience and knowledge sharing programs for government and semi-government trade institutions,
- 2) On line and in person training programs for SMEs on export marketing, international trade, entrepreneurship, business development etc.,
- 3) Knowledge creation and dissemination through sponsoring preparation of analytical studies, research & policy papers and organization of workshop/seminars for awareness and consensus development on trade related subject,
- 4) Establishment of trade training centers along with the development of modular training programs/materials.

Various training programs, seminars, workshops are organized by ITFC under its various flagship programs to address these initiatives. In this direction, ITFC is in the process of a finalizing a partnership agreement with the Trade Facilitation Office (TFO) of Canada to explore the possibility of designing and implementing a modular training program to train the trainers on international marketing and multilateral trading system. Following the training programs, trade missions to export markets will be organized to acquaint trainees with hands on experience in international trade and export marketing.

2.2. Youth Training and Employment for International Trade

Another example of ITFC's response to capacity development and training needs of Member countries in trade related areas is "Training Program for Export and Employment-TREE", which is being implemented under the AFTIAS Program. As per the recommendations of ITFC, AFTIAS Board decided to co-finance this special training program for youth together with the Industrial Training Council (ITC) of Egypt. ITFC envisages the replication of this training program in other Member countries if the recipient countries contribute to the budget of the project.

The training program aims at improving knowledge and skill sets of youth and certify them as Export Specialist that will enable them to find competitive jobs in international trade and establish its own business. A series of training courses will be given to 1000 university fresh graduates. The project implementation was launched in March 2016 by signing the partnership agreement between ITFC, ITC of Egypt as financiers and the Foreign Trade Training Center (FTTC) as the project implementing agency and training provider.

Following the completion of the training programs, young graduates will be employed by the private companies, which are currently operating in international trade or in the process of extending their operations in other countries. The training program will enhance export culture among the companies and improve their knowledge in matters related to international quality, standardizations, multilateral trading rules, export marketing, branding, and product & quality development

2.3. ITFC's Indonesian Coffee Export Development Program

Coffee plays an important socio-economic role in Indonesia. In 2015, coffee exports brought in US\$ 1.6 billion of foreign exchange revenue and it is the livelihood of 2 million farmers in Indonesia. The small farm holders grow 96% of coffee produced in Indonesia, and addressing the challenges they face, will therefore be a key factor in transforming the livelihood of the people. Beside from the small farm holders, the cooperatives and SMEs play a vital role along the coffee supply chain. In most cases, the SMEs have the logistics capacity and business relationships with the foreign buyers.

ITFC's Indonesian Coffee Export Development Program (ICEDP) will address the twin challenges faced by the Indonesian Coffee Industry. Access to financing is one of these challenges that will be tackled by ITFC's trade finance facilities. Within the scope of the

program, ITFC will extend US\$100 million financing to exporting SMEs in 3 years period that will enhance their competitiveness in global markets and make cash ready for small farm holders as return for their crop.

On the other side, ITFC will work with its local partners, including Coffee Exporters Association, Ministry of Agriculture, Ministry of Trade, Coffee Research Institute to design and implement capacity development initiatives. ITFC is currently working with its local partners in the establishment of Coffee Farmers Training Center, which will provide trainings for farmers on enhanced training practices, offer soil analysis test for fertilizers, and provide tree seedlings at reasonable prices to replace coffee trees with the higher yield ones.

Training centers will be also used to deliver training programs on certified sustainable coffee production, which will add additional value to Indonesian coffee exports. Upon the successful establishment of first training center, similar other centers will be established in partnership with local stakeholders. Furthermore, ITFC will organize business matching events to provide direct access to some new export destinations, mainly from OIC Member countries. In the mid-terms, ITFC plans to design a Farmers Cooperatives (FCs) Capacity Development Program to enable FCs to play an active role in the input purchase, direct coffee marketing/exporting, undertaking post harvesting processes and managing training centers.

Similar Commodity Development Programs are being designed by ITFC, one of which Trade Linkage Program for Cotton between West African Cotton Producing Countries and Southeastern Cotton Importing Countries. Within this program, ITFC will extend financing for farming and trade also in addition to providing technical assistance to address the challenges faced by cotton producers. These interventions may include supporting mechanization in farming, support for developing irrigation infrastructure, R&D support for cotton yield and quality improvement, support for contamination reduction measures, market access support, and business matching events.

3. OIC Level Initiatives/Efforts

3.1. Trade Development Forum

Another flagship program of TCPP is the Trade Development Forum, which is an attempt to establish a private-public platform of partnership. The Forum aims to bring together trade policy makers and businesspersons. The purpose is to elaborate on trade related issues and policies with a view to agree on common solutions to address common challenges of OIC Member countries, share experiences and best practices in trade development, while providing businessmen opportunities to establish trade partnerships through match-making events. Another purpose is to provide an educational opportunity through selected capacity building event. ITFC is in final stage of concluding a partnership agreement with the host country, where the first edition of the Forum will take place.

3.2. Other Trade Capacity Development Initiatives

In pursuance to the relevant COMCEC resolution, ITFC also provided financial support to the organizer of the 15th Islamic Fair, which was organized in Riyadh, KSA, during 22-26 May 2016, to facilitate participation of selected Trade Promotion Organizations (TPOs) in the Fair and the Conference of the OIC TPOs' Network. Similarly, ITFC extended its financial support to the organizer of the 1st African Business Halal Forum, which was organized in Dakar, Senegal, during 3-5 March 2016. Previously, ITFC was providing sponsorship support for the organization of Halal Conferences, Exhibitions organized in some Member countries including Malaysia, Iran, and Turkey.

Now, due to its market potentials, ITFC is in the process of developing a Flagship program to support the development of Halal Sectors in OIC Member countries. In many Member countries, Halal Sectors are in their early development stages. Many countries face the lack of specialized agencies for the development of Halal Standards & Certification. Moreover, development of Halal Standards and accreditation of certification bodies are getting complicated due to differences in definition of Halal by Member countries. Lack of unified Halal standards and absence of multi-lateral recognition and accreditation of Halal Standards and Certificates are now hampering growth of intra-OIC Halal trade and Member countries access to global Halal Market.

In this context, ITFC would like to address some of these challenges in partnership with leading Member countries and OIC Institutions by sponsoring the organization of international Halal Expo & Conferences, where concerned national authorities elaborate the matters to resolve such issues. ITFC also plans to design and implement a Reverse Linkage Program to assist one selected Member country to develop required institutional and regulatory framework to provide enabling business and investment environment for the growth of Halal Sectors.