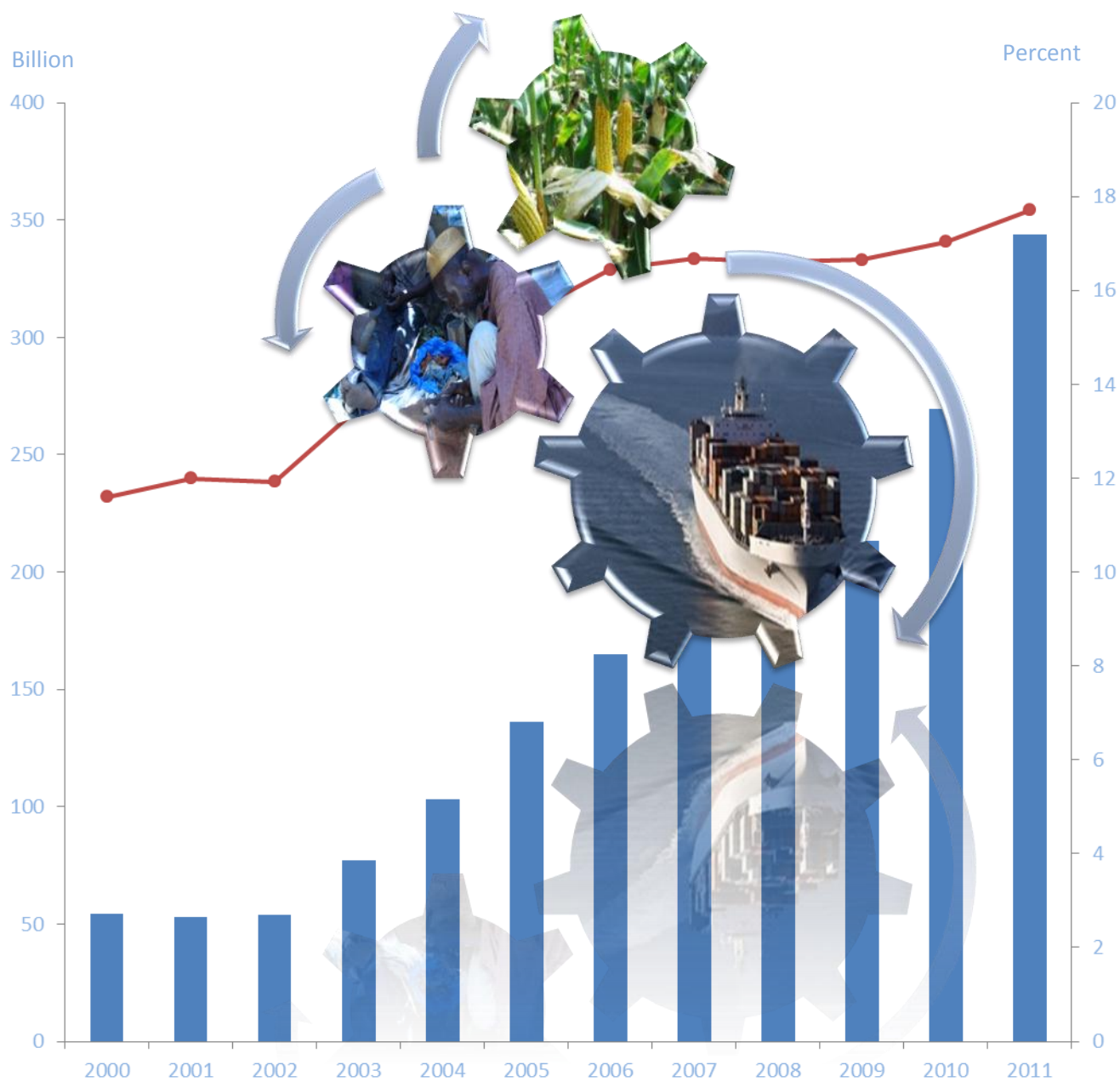




COMCEC

Progress Report 2008-2012



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Aim and Scope:

This report is prepared to be submitted to the 12th Session of the Islamic Summit Conference to be held on 06-07 February 2013 in Cairo, Arab Republic of Egypt. It presents general information on the Standing Committee of Economic and Commercial Cooperation of the Organization of Islamic Cooperation (COMCEC) and the major developments in the cooperation efforts since the 11th Session of Islamic Summit Conference, held in 2008, in Dakar, Republic of Senegal.

It comprises two chapters. The First Chapter provides information on the establishment and mandate of the COMCEC as well as its main organs. It also summarizes the programs and projects which have successfully been completed by the COMCEC since its establishment.

The Second Chapter is devoted to major developments in the economic and commercial cooperation under the auspices of COMCEC. It includes the main activities and the progress achieved in the cooperation areas. For each cooperation area, brief background information is given, followed by a detailed account of the developments since the last Summit.

The Report ends with concluding remarks.

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Major Achievements of the COMCEC since 2008

2008

- Adopted the Road Map for Enhancing Intra-OIC Trade

2009

- Celebrated its 25th Anniversary
- Convened the COMCEC Economic Summit
- Launched the OIC-VET

2010

- SMIIC entered into force
- PRETAS entered into force

2011

- Established the COMCEC Capital Markets Regulators Forum
- Established the OIC/COMCEC Tourism Private Sector Forum
- Welcomed the Transport Cooperation Framework (İzmir Document)
- TPS-OIC Rules of Origin entered into force

2012

- Launched the S&P OIC/COMCEC 50 Shariah Index
- Launched the COMCEC Strategy

Executive Summary of the Major Developments Since the Last Summit

International economic cooperation is one of the key components for development of countries in today's globalised world. After the World War II, bilateral, regional and global cooperation efforts among the countries increased dramatically in order to complement the national development initiatives. Thus, many regional and international organizations/institutions have been created in order to contribute to the development of their members.

The Organization of Islamic Cooperation (OIC), established in 1969, is one of these organizations. The growing need for economic and trade cooperation among the member states of the OIC prepared the ground for the establishment of a standing committee for economic and commercial cooperation, COMCEC, in 1981.

COMCEC commenced its activities in 1984, after election of the President of the Republic of Turkey to its permanent chairmanship. The main objective of the COMCEC is to draw up programs for joint action, and to coordinate and follow-up activities for enhancing economic and commercial cooperation among the OIC Member States.

Since 1984, the COMCEC has initiated many cooperation programs and projects in order to realize its goals. With the valuable efforts of the Member States and relevant OIC Institutions, it has realized many of these programs and projects.

The COMCEC has continued to coordinate and follow-up economic cooperation activities of the OIC since the last Islamic Summit Conference held in Dakar, Senegal in 2008.

During the years under review, COMCEC has furthered its efforts towards realization of the important programs/projects on its agenda and for expanding cooperation among the Member Countries.

The COMCEC Economic Summit

On the occasion of the 25th Anniversary of the COMCEC, the COMCEC Economic Summit was held in 2009 in İstanbul, Turkey. The Summit was attended by the Heads of States and Governments of the Member States. The Summit has adopted İstanbul Declaration which gave a clear direction for enhancing cooperation under the auspices of the COMCEC. The Summit requested the Chairman of the COMCEC to produce a new vision document for the COMCEC in line with the current needs of the Member States and to improve the institutional set-up of the economic and commercial cooperation.

In line with the task given by the COMCEC Economic Summit, the COMCEC Strategy has been prepared under the high guidance of H.E Abdullah GÜL, President of the Republic of Turkey and the Chairman of the COMCEC, and adopted by the 4th Extra-ordinary Islamic Summit Conference held in Makkah Al-Mukarramah on 14-15 August 2012. The Strategy has officially been launched at the 28th Session of the COMCEC and has become operational.

The COMCEC Strategy

The COMCEC Strategy has been prepared in light of the findings of the critical evaluation report, which was welcomed by the 26th Session of the COMCEC. The Report assesses the former Strategy and the Plan of Action adopted in 1994, in terms of their content and implementation. It identifies the constant setbacks of the former cooperation documents, which are lack of an effective institutional set-up, lack of ownership by the member states, lack of a financing mechanism and lack of an effective project cycle management.

Taking these setbacks into consideration, the Strategy brings a Member-driven COMCEC. The new vision of the COMCEC is *“to build a prosperous Islamic Ummah based on solidarity and interdependence, enhanced mobility and good governance.”* Accordingly, the COMCEC’s mission is to provide a forum to *produce and disseminate knowledge, share experiences and best-practices, develop a common language and understanding, and approximate policies* among the Member Countries to address and find solutions to the development challenges of the Islamic Ummah.

In light of this Vision, the Strategy is built on three principles: *Enhancing Mobility, Strengthening Solidarity* and *Improving Governance*, which address the core and persistent challenges of the Islamic World and guide the COMCEC cooperation efforts. These three principles will guide the efforts in 6 cooperation areas of the Strategy namely; trade, agriculture, transport, tourism, poverty alleviation, and finance.

The modalities and mechanisms through which the Strategy is going to be operationalized are as important as its content and substance. The Strategy introduces a well-defined

implementation mechanism. The main instruments of the implementation mechanism are the Working Groups and Project Cycle Management mechanism. The working groups will serve to producing and disseminating knowledge, creation of a common understanding and approximation of policies among the member states. The second instrument of the Strategy for its effective implementation is the Project Cycle Management (PCM). The COMCEC Projects to be submitted by the member states and the OIC institutions under the new PCM will serve to the realization of the objectives of the Strategy.

Priority Sectors: Agriculture, Tourism and Transportation

Furthermore, the Summit has requested the COMCEC to revitalize cooperation in the areas of Agriculture, Tourism and Transportation.

Since then, the COMCEC has increased its efforts for enhancing cooperation among the Member States in these critical sectors.

In the area of Agriculture, fifth and sixth conferences of Ministers of Agriculture of the OIC Member States were held in 2010 and 2011 in Sudan and Turkey respectively. Both Conferences stressed the importance of ensuring food security in the OIC Member States as well as developing capacity building and technical cooperation programs for enhancing cooperation in this important sector. Furthermore, COMCEC has established a Task Force to prepare a Framework of Cooperation in the Area of Agriculture, Food Security and Rural Development. The Task Force has fulfilled its task and submitted a Draft Framework to the 28th Session of the

COMCEC. The Session welcomed the Draft Framework.

In the area of Tourism in addition to the ongoing activities, such as Ministerial Conferences and Coordination Committee Meetings, COMCEC has established OIC/COMCEC Private Sector Tourism Forum in 2011. The Forum will annually bring together the private sector representatives of the member states operating in the field of tourism to share their experience and explore ways and means to enhance the cooperation in this field. The Forum has held its first meeting on 7-8 December 2012, in İzmir, Turkey.

In the area of Transportation an Expert Group Meeting was held in June, 2011, in İzmir, Turkey. The Meeting identified the major common obstacles hindering development of transport sector in the OIC Member States and considered the proposed Framework of Cooperation in the area of transport within the OIC namely İzmir Document. The 27th Session of the COMCEC has welcomed the İzmir Document. The 27th Session of the COMCEC also held the Ministerial Exchange of Views Session with the theme of “Impact of Transportation Networks on Trade and Tourism”.

Intra-OIC Trade: Operationalization of the TPS-OIC

Expansion of trade among the member countries is one of the main objectives of the COMCEC. The Intra-OIC trade level has increased from 16.4 percent in 2007 to 17.71 percent in 2011. In order to reach the target of 20 percent intra-OIC trade by 2015, the COMCEC has intensified its efforts in the domain of trade. As of August 2011, the legal

basis of the Trade Preferential System of the OIC (TPS-OIC), which is the milestone project of the COMCEC towards enhancing intra-trade and will be the basis for realizing the target of 20 percent intra OIC trade, has been completed. In other words, the three agreements of the TPS-OIC, namely, Framework Agreement, the Protocol on Preferential Tariff Scheme (PRETAS) and the Rules of Origin have entered into force. Hence, following the submission of concession lists by 10 Member States that have ratified the three Agreements (which is currently 9), the TPS-OIC will become operational.

COMCEC has also developed a Road Map for realizing the 20 percent intra-OIC trade target. The Road Map is composed of five areas namely trade financing, trade promotion, trade facilitation, capacity building and development of strategic commodities. An executive program for the implementation of the Road Map was prepared in 2009. Activities and programs/projects for increasing intra-OIC trade under the Road Map are reviewed regularly by the concerned OIC Institutions and reported to the COMCEC Sessions regularly.

Institutionalization of the SMIIC

COMCEC has realized one of its outstanding Projects, namely Standards and Metrology Institute for Islamic Countries (SMIIC) in 2010. SMIIC is expected to contribute to the harmonization of standards and development of new ones in the Member States which will increase the quality of services and products as well as the quality of life. Having its location in İstanbul, till now, SMIIC has convened its General Assembly and Board of Directors three and four times respectively. SMIIC has also established technical committees in its field of

activity. Furthermore, in order to publicize its activities SMIIC organized the SMIIC Forum in November 2012.

Financial Cooperation

Financial cooperation is one of the promising cooperation areas in which remarkable progress has been achieved in recent years. Since the last Summit Conference, the OIC Stock Exchanges Forum has intensified its efforts towards deepening the cooperation among the member states' Stock Exchanges. As a result of its longstanding efforts, the Forum has finalized its studies on the S&P OIC/COMCEC 50 Shariah. The Index was designed to measure the performance of 50 leading companies from the 19 Member States, namely, Bahrain, Bangladesh, Cote d'Ivoire, Egypt, Indonesia, Jordan, Kazakhstan, Kuwait, Lebanon, Malaysia, Morocco, Nigeria, Oman, Pakistan, Qatar, Saudi Arabia, Tunisia, Turkey and the United Arab Emirates. The Index has officially been launched during the 28th Session of the COMCEC. The Index is expected to address the growing demand for Islamic financial instruments worldwide.

Besides the cooperation among the Stock Exchanges, COMCEC has revitalized the cooperation among the Central Banks and Monetary Authorities in order to mitigate the adverse effects of the Global Economic Crisis. Since the last Summit, the Governors of the Central Banks and Monetary Authorities have convened three times. In addition to the annual meetings, capacity building programs in various Member Countries have been organized.

COMCEC has also initiated the cooperation among the Capital Markets Regulatory Bodies of the Member Countries. In 2011, COMCEC

Capital Market Regulators Forum was established. The Forum has held its first meeting in September 2012.

Ministerial Exchange of Views Sessions

Furthermore, COMCEC has continued to follow-up the global economic developments and growing needs of the Member States. In this context, during 2008-2012, COMCEC has continued to hold Exchange of Views Sessions on important issues during its Annual Sessions. Since the last Summit, COMCEC has held Ministerial Exchange of Views on Investment Climate, Food Crisis, Agriculture and Rural Development, Transport and SMEs respectively.

COMCEC will intensify its efforts for furthering the economic and commercial cooperation among the member countries within the framework of the COMCEC Strategy. In this context, while following up the global economic developments closely, it will also give utmost importance to support the Member States to meet their growing needs in economic development.

Chapter I: General Information

1.1. Objectives and Functions of the COMCEC

COMCEC was established during the Third Islamic Summit Conference held in Mecca and Taif, in 1981. The Fourth Islamic Summit Conference held in Casablanca, Kingdom of Morocco, in 1984, elected the President of the Republic of Turkey as the Chairman of the COMCEC, which became operational with its first session held in November 1984 in İstanbul.

The objectives of the COMCEC in accordance with Resolutions No.13/3-P (IS) and 1/5-E (IS) are:

- a) To address the economic challenges of the Islamic Ummah and to contribute to the development efforts of the Member States.
 - b) To produce and disseminate knowledge, share experience and best-practices, develop a common understanding, and approximate policies among the Member States in line with the vision and principles of the Strategy.
 - c) To serve as the central forum for the Member States to discuss international economic and commercial issues.
 - d) To study all possible means of strengthening economic and commercial cooperation among the Member States.
 - e) To draw up programs and submit proposals designed to increase the welfare of the Member States.
 - f) To ensure the overall coordination of the activities of the OIC relating to economic and commercial cooperation among the Member States.
- In order to attain its objectives, the COMCEC shall:
- a) Consider issues pertaining to economic and commercial cooperation among the Member States and review the progress achieved in the implementation of the decisions pertaining to the areas under its competence.
 - b) Facilitate common understanding and policy approximation in the field of economic development through producing and disseminating knowledge, sharing experience and best-practices. The activities of the committees and ad-hoc working groups established shall also contribute to this function of the COMCEC.
 - c) Serve as the main coordinating body of the activities of the OIC relating to economic and commercial cooperation among the Member States.
 - d) Develop cooperation programs to enhance the economic and commercial cooperation among the Member States.
 - e) Request the OIC Institutions working in the economic and commercial fields to submit activity reports, undertake necessary studies, convene expert group meetings and report the progress in the implementation of the tasks assigned to them, periodically, through meetings of the Sessional Committee to be convened at each Session and when the need so arises.
 - f) Hold consultations in its fields of activity with international and regional groupings and organizations and non-governmental organizations including private sector institutions as and when deemed necessary for the fulfillment of its objectives.

- g) Decide on the convening of a Ministerial Meeting in the area of economic and commercial cooperation upon the recommendation by the Member States or the CCO with relevant justification. The host country of the Ministerial Meeting shall coordinate with the CCO regarding the preparations of the meeting.
- h) Submit progress reports and make proposals through its Chairman to the Summit on the implementation of its Strategy and institutional and organizational aspects of the fields under its competence.
- i) Apprise, through the CCO, the Council of Foreign Ministers of its resolutions.

COMCEC convenes annually at the ministerial level in Istanbul, Turkey under the Chairmanship of the President of the Republic of Turkey. Its last Session (28th Session) was held in Istanbul on 08-11 October 2012.

1.2. Follow-up Committee

At the First session of COMCEC held in Istanbul in 1984, a Follow-Up Committee was established in order to assist the General Assembly of the COMCEC in fulfillment of its responsibilities.

The Follow-Up Committee, during its meetings held usually in May, reviews progress on the issues listed on the COMCEC agenda and makes recommendations to the following COMCEC Session. The Committee also prepares draft agenda of the following COMCEC Session.

The Follow-up Committee was renewed at the 26th Session of the COMCEC. The current composition of the Follow-up Committee is listed in Table 1.

Table 1: Composition of the Follow-up Committee of the COMCEC

COUNTRY	POSITION
Republic of Turkey	Chairman (Permanent)
Kingdom of Saudi Arabia	Vice-Chairman (Permanent)
State of Palestine	Vice-Chairman (Permanent)
Republic of Senegal	Chairman of the Summit
State of Qatar	Vice-Chairman Representing the Arab Region
Republic of Kazakhstan	Vice-Chairman Representing the Asian Region
Republic of Mali	Vice-Chairman Representing the African Region
Islamic Republic of Pakistan	Rapporteur
State of Kuwait	Member of Previous Bureau
Islamic Republic of Iran	Member of Previous Bureau
Republic of Cameroon	Member of Previous Bureau

Note: Vice Chairmen, representing the three geographical regions will be renewed by the 29th Session of the COMCEC to be held in November 2013 in Istanbul.

1.3. Sessional Committee

The Sessional Committee is the organ of the COMCEC, which meets regularly on the sidelines of the COMCEC Sessions and the Follow-up Committee meetings to review and coordinate the activities and programs of the OIC institutions.

Sessional Committee reports are submitted to the COMCEC by the COMCEC Coordination Office for consideration.

The 21st Meeting of the Sessional Committee was held on November 7th, 2012 on the sidelines of the 28th Session of the COMCEC.

1.3. Major Programs and Projects Realized by the COMCEC until 2008

Since its establishment, the COMCEC has initiated many programs and projects. Most of them have successfully been realized. Brief account of the achievements of the COMCEC is given below.

Export Financing Scheme (EFS): COMCEC initiated the Longer-Term Trade Financing Scheme and entrusted the IDB with implementation. The Tenth IDB Annual Meeting, held in March 1986 in Amman, Jordan, approved the Longer-Term Trade Financing Scheme. The title of the Scheme was later changed to Export Financing Scheme (EFS) and it became operational in 1988.

The EFS aims at promoting exports of non-conventional commodities by providing the necessary short and long-term funds. The repayment periods under the Scheme were originally between 6 and 60 months for the intra-OIC export. This period has now been extended to ten years for capital goods, such as ships, machinery etc. Each Member State participating in the EFS had one or more national agencies for the Scheme. The role of the national agencies was to coordinate the promotion of the EFS in their countries. The cumulative approvals under the Scheme, since its inception in 1988, have amounted to USD 2.6 billion.

After the establishment of the International Islamic Trade Finance Corporation (ITFC), in 2005, all trade financing activities of the IDB, including the EFS, were brought under the ITFC. The ITFC commenced business at the beginning of 2008.

Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC): The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) is a subsidiary organ of the IDB. It was established in 1994 with an authorized capital of ID 100 million (about USD 127 million) and has become operational in 1995. ICIEC has 40 Member Countries.

The objective of the ICIEC is to expand the scope of trade transactions and the flow of investments among Member Countries of the OIC.

Establishment of a Trade Information Network of the Islamic Countries (TINIC): The First COMCEC Session, held in 1984, adopted a resolution recommending the establishment of a Trade Information Network for Islamic Countries to facilitate the collection, treatment, analysis and propagation of trade information for the benefit of users. The Islamic Center for the Development of Trade (ICDT) prepared a feasibility study on the modality of the network.

The TINIC became operational in 1996. It was restructured in 2001 in order to meet the growing needs of the private sector of the Member States.

Chapter II: Achievements of the COMCEC (2008-2012)

Since the last session of Islamic Summit Conference held in 2008 in Dakar, Senegal, the COMCEC has intensified its efforts towards enhancing economic and commercial cooperation among the Member States.

This chapter provides information on the achievements of the COMCEC and a brief outlook on recent developments in its cooperation areas since the last Summit..

2.1. The COMCEC Economic Summit

One of the most important developments during the 2008-2011 period is the COMCEC Economic Summit. The COMCEC Economic Summit was held on the occasion of the 25th Anniversary of the COMCEC in İstanbul, on November 9th, 2009, with the participation of kings and heads of states. The Summit is a milestone for economic and commercial cooperation under the COMCEC.

The Summit has adopted the İstanbul Declaration in which, the Heads of States reaffirmed their commitment to strengthening economic and commercial cooperation. The Summit has prioritized the cooperation in the areas of Agriculture, Tourism and Transportation.

Furthermore, the Summit has requested the inauguration of cooperation among the Capital Markets Regulatory Authorities of the Member Countries.

The İstanbul Declaration underlined the importance of the TPS-OIC System as the basis for realizing 20 percent intra-OIC trade by the year 2015 and urged all the member states to join the TPS-OIC Agreements at the earliest convenience.

It requested the Chairman of the COMCEC to consider improving the institutional set-up of economic and commercial cooperation as well as the efficiency of the implementation of the resolutions adopted. The İstanbul Declaration also requested the COMCEC to consider the relevance of the Strategy and Plan of Action in line with current needs of the member countries and, if necessary, to produce a Vision Document for the COMCEC.

2.2. The COMCEC Strategy and Statute

In line with the task given by the COMCEC Economic Summit, the COMCEC Strategy has been prepared under the high guidance of H.E Abdullah GÜL, President of the Republic of Turkey and the Chairman of the COMCEC, and adopted by the 4th Extra-ordinary Islamic Summit Conference held in Makkah Al-Mukarramah on 14-15 August 2012. The Strategy has officially been launched during the 28th Session of the COMCEC and has become operational.



The COMCEC Strategy has been prepared in light of the findings of the critical evaluation report, entitled “Report on the Strategy and Plan of Action to Strengthen Economic and Commercial Cooperation Among the Member States of the OIC: A Critical Evaluation” which was welcomed by the 26th Session of the COMCEC. The Report assesses the former Strategy and the Plan of Action adopted in 1994, in terms of their content and implementation. The Report identifies the constant setbacks of the former cooperation documents as lack of an effective institutional set-up, lack of ownership by the member states, lack of a financing mechanism and lack of an effective project cycle management.

Taking these setbacks into consideration, the Strategy brings a Member-driven COMCEC. The new vision of the COMCEC is “*to build a prosperous Islamic Ummah based on solidarity and interdependence, enhanced mobility and good governance.*” Accordingly, the COMCEC’s mission is to provide a forum to *produce and disseminate knowledge, share experiences and best-practices, develop a common language and understanding, and approximate policies* among the Member Countries to address and find solutions to the development challenges of the Islamic Ummah. In light of this Vision, the Strategy is built on

three principles: *Enhancing Mobility, Strengthening Solidarity* and *Improving Governance*, which address the core and persistent challenges of the Islamic World and guide the COMCEC cooperation efforts. These three principles will guide the efforts in 6 cooperation areas of the Strategy namely; trade, agriculture, transport, tourism, poverty alleviation, and finance.

The modalities and mechanisms through which the Strategy is going to be operationalized are as important as its content and substance.

The COMCEC Strategy envisages a member driven organization. It would ensure active and direct involvement of Member Countries in the COMCEC activities. The Strategy introduces a well-defined implementation mechanism. The main instruments of the implementation mechanism are the Working Groups and Project Cycle Management mechanism.

The Working Groups will be regular technical experts’ gatherings by which member-country experts will come together to elaborate their common issues thoroughly in the respective cooperation areas, share the good practices and learn from each others’ experience. The working groups will serve to producing and disseminating knowledge, creation of a common understanding and approximation of policies among the member states.

The second instrument of the Strategy for its effective implementation is the Project Cycle Management (PCM). The Strategy introduces a well-defined Project Cycle Management with a clearly identified financial mechanism. The

COMCEC Projects to be submitted by the member states and the OIC institutions under the new PCM will serve to the realization of the objectives of the Strategy. The details regarding the new PCM are given in the Programme Implementation Guideline to be issued by the COMCEC Coordination Office. The new PCM is planned to be launched in September 2013.

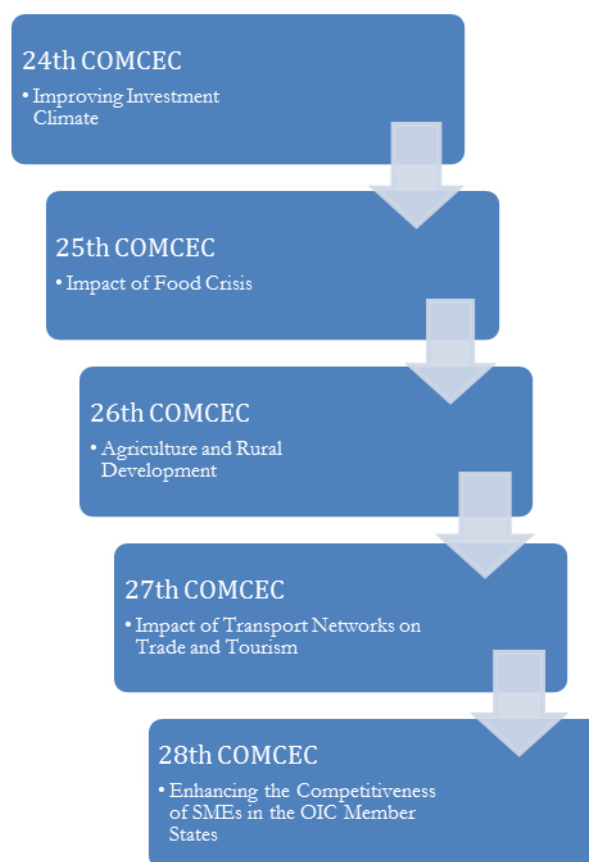
2.3. Ministerial Exchange Of Views Sessions

Ministerial Exchange of Views Sessions are organized regularly during the COMCEC Sessions every year. The main objective of these sessions is to increase awareness on the issues which have strategic importance for the Member States.

In light of the global economic developments as well as the Member States' interest, each COMCEC Session decides on the theme of Ministerial Exchange of Views Session to be organized during the next COMCEC Session. A preparatory workshop is also organized to provide inputs for enriching the discussions during the Ministerial Exchange of Views Sessions. Eminent people from international institutions, national agencies, universities are invited as keynote speakers to enrich the deliberations in the Exchange of Views Sessions.

The theme of the Ministerial Exchange of Views Session of the 29th Session of the COMCEC to be held in 2013 has been decided as "Increasing FDI Flows to OIC Member Countries".

Figure 2: Themes of the Recent COMCEC Ministerial Exchange of Views Sessions



2.4. Developments in the Cooperation Areas

2.4.1. Intra-OIC Trade

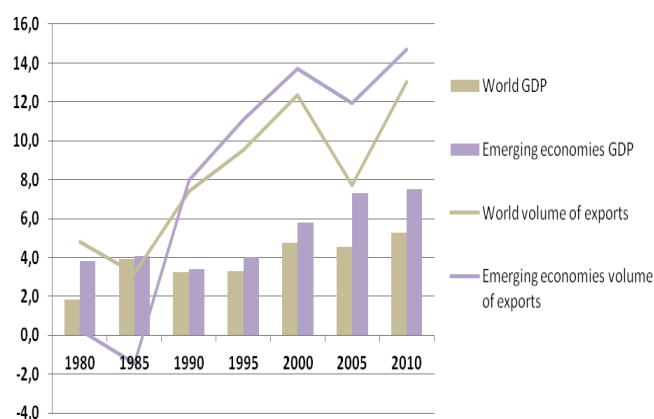
Brief Outlook:

Being an important catalyst of economic growth, trade leads to efficient allocation of resources and creation of economies of scale within countries. Countries that have sustained high levels of growth and have increased their per capita income in the last 50 years have, to a large extent, done so by greatly expanding their trade.

The advance of globalization in recent decades, accompanied with technological change, has dramatically reduced costs in transport and communications. This has led to the emergence of new opportunities for countries and regions that were previously at the periphery of the world economy. Accordingly, many developing countries could integrate into global economy through international trade by exploiting their comparative advantages.

While the growth of global trade is more than two-folds of the global output in the last two decades, the annual growth rate of developing countries as a group has doubled the world average within the last decade (See Figure 3). Trade between developing countries, namely South-South trade, has also seen a marked increase.

Figure 3: Annual GDP Growth Rates and Volume of Exports of the World and Emerging Economies (1980-2010)



Source: IMF 2012

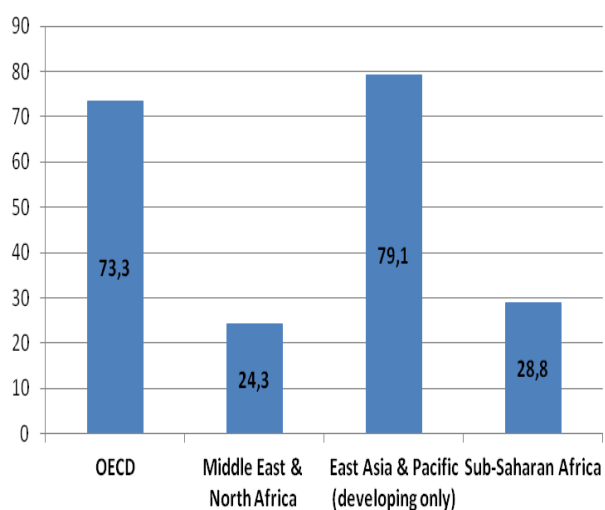
It would be fair to assert that developing countries are now main drivers of global trade. Yet, a significant number of developing countries -including many LDCs- have remained at the margins of this process. They

have not considerably shifted away from traditional exports of primary commodities. Many of them continue to rely on a highly concentrated export structure, comprising mainly natural resources and agricultural products.

To integrate the countries that have lagged behind in the global economy so that they may also enjoy the benefits of expanding world trade is one of the main challenges facing the international community.

Globalization and trade openness create great opportunities for countries to leverage global demand for goods and services and increase their productivity, key factors in sustained development.

Figure 4: Share of manufactures in merchandise exports (2009)



Source: World Bank 2012b

Greater openness also increases the vulnerability of countries to global shocks, with potentially major adverse consequences especially for the poorer segments of the society. Although there is no causality between

trade openness and growth, no fast growing developing country has achieved rapid economic expansion by imposing trade barriers. Today's economic realities necessitate an open trade regime supported by well-designed policies to manage external shocks while sustaining an export-led growth (UNCTAD 2008).

The aftershocks of the recent global economic crisis continue to dominate the global trade agenda. World trade expanded in 2011 by 5.0 per cent, a sharp deceleration from the 2010's rebound of 13.8 per cent. The WTO projects that world trade will further decelerate in 2012, with a growth rate of 3.7 per cent (WTO 2011). Contrary to what might have been expected, protectionist measures were relatively muted and did not play a significant role both during and after the crisis.

Insofar as trade policies are being used extensively in a manner that distorts global markets, this is largely limited to agriculture - including both import protection and export restrictions by net exporting countries. Indeed, tariffs as tools of trade policy are losing their relevance. Non-tariff measures have become relatively more significant as determinants of market access and the conditions of competition. They may be designed to influence competitive conditions in markets, or they may focus on public policy concerns such as health, safety, and environment. These public policy interventions have consequences for trade and may be more or less discriminatory in their effects (WTO 2011).

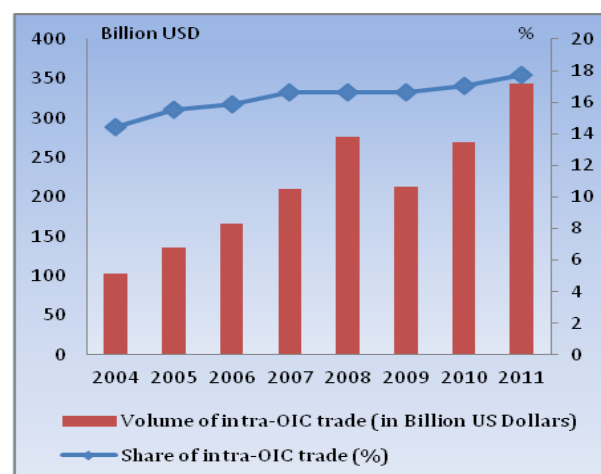
In short, policymakers now confront a more complex trade agenda. Trade negotiations are

rather themed on domestic regulatory policies than on import tariffs. Furthermore, international trade policy issues are dealt not only by trade ministries but also by a range of public policy bodies including various ministries, regulatory bodies etc. Maintaining coordination and consistency across these actors remains a great challenge especially for developing countries that find it increasingly difficult to address these challenges with limited human resources and administrative capacity.

Recent Developments in Intra-OIC Trade

Expansion of intra-OIC trade is one of the noble goals of the COMCEC. Since its establishment, COMCEC has initiated many projects and programs to realize this objective.

Figure 5: Intra-OIC Trade



Source: ICDT

The Third Extraordinary Islamic Summit Conference, held in 2005 in Makkah Al-Mukarramah, set the target of 20 percent intra-OIC trade by 2015. Since the Makkah Summit, the level of intra-OIC trade increased steadily:

The share of intra-OIC trade reached 17.71 percent in 2011 and the volume of intra-OIC trade also recorded a dramatic increase, reaching 343.87 Billion US Dollars in the same year.

Trade Preferential System among the OIC Member States (TPS-OIC), which will be the main instrument to foster intra-OIC trade, is about to be operationalized.

Operationalization of TPS-OIC

TPS-OIC is based on three agreements, namely the Framework Agreement, the Protocol on Preferential Tariff Scheme (PRETAS) and the Rules of Origin.

The Framework Agreement, which sets out the general rules and principles for the negotiations toward the establishment of the TPS-OIC, entered into force in 2002. The PRETAS, which complements the Framework Agreement by laying out the concrete reduction rates in tariffs in accordance with a time-table for implementation, entered into force in February 2010. The Rules of Origin, which will be applied for the identification of the origin of products eligible for preferential concessions under the TPS-OIC, entered into force in August 2011. Therefore, the legal basis of the system was completed.

For the operationalization of the TPS-OIC, however, the Member States which signed and ratified the TPS-OIC agreements should also fulfil their obligations arising from the provisions of these agreements, such as submission of the list of concessions and completion of the necessary internal legislative and administrative measures including printing

TPS-OIC Certificate of Origin and providing specimen impressions of stamps to the TNC Secretariat.

In order to make the TPS-OIC system operational, 10 Member States have to fulfill the two conditions at the same time. These two conditions are the ratification of the three TPS-OIC Agreements and the submission of the list of concessions to the TNC Secretariat. Till now, 9 Member States have met these two conditions.

Institutionalization of the SMIIC

Standard and Metrology Institute for Islamic Countries (SMIIC) is an affiliated institution of the OIC which is responsible for contributing to the development of standards in the OIC Member States. SMIIC aims at realizing harmonized standards and eliminating any factor related to the standards that adversely affects the trade among the member countries.



After the ratification of its Statute by the tenth Member State, SMIIC Statute entered into force in May 2010.

Following the ratification of its Headquarters Agreement by the Republic of Turkey on March 31st, 2011, the SMIIC headquarter was formally established. Since 2010, SMIIC has convened its General Assembly and Board of Directors four and five times respectively.

Recently, SMIIC Forum 2012 was held in Antalya, Republic of Turkey during 08-09 November 2012. Over 150 attendees from 35 countries and relevant international and regional institutions have attended the Forum.

SMIIC has established Financial and Terminology Committees as well as Technical Committees. The Technical Committees are Halal Food Issues, Halal Cosmetic Issues, Service Site Issues, Renewable Energy, Tourism and Related Services, Agriculture Processes and Transportation.

Road Map for Enhancing Intra-OIC Trade

The 24th Session of the COMCEC adopted the Road Map as a guide to reaching the target of 20 percent intra-OIC trade. The Road Map is composed of five sections, namely: Trade Finance, Trade Promotion, Trade Facilitation, Capacity Building and Development of Strategic Commodities.

A consultative meeting of the OIC institutions on enhancing intra-OIC trade was held on 11-12 February 2009, in Casablanca, Morocco. The meeting prepared the Executive Program of the Road Map and designated coordinator institutions for each section of the Road Map.

The Consultative Group has held four meetings so far. The Fourth Meeting of the Consultative Group was held on 21-22 February 2012 in Marrakech, Kingdom of Morocco. The Meeting emphasized the lack of financial resources as well as involvement of Member States in the activities of the Executive Program as the main challenge for the effective implementation of the Road Map.

The Follow-up Report on the implementation of the Executive Program was submitted by the ICDT to the 28th Session of the COMCEC. After reviewing the report, the Committee requested the OIC Institutions to increase their efforts for the implementation of the projects and programs in the Executive Program and called upon the Member States to lend the necessary support to the OIC Institutions for the implementation of the Program.

Other Activities

- ***Islamic Trade Fairs***

Trade Fairs are important platforms bringing sellers and potential buyers together. Islamic Trade Fairs are initiated by the COMCEC in order to create awareness on the products of the Member States and to increase trade among them.

The ICDT is organizing Islamic Trade Fairs in every two years in one of the OIC Member States. ICDT has organized thirteen Islamic Trade Fairs to date. The 13th Islamic Trade Fair was held on 24 - 29 April 2011 in Sharjah, United Arab Emirates (UAE).

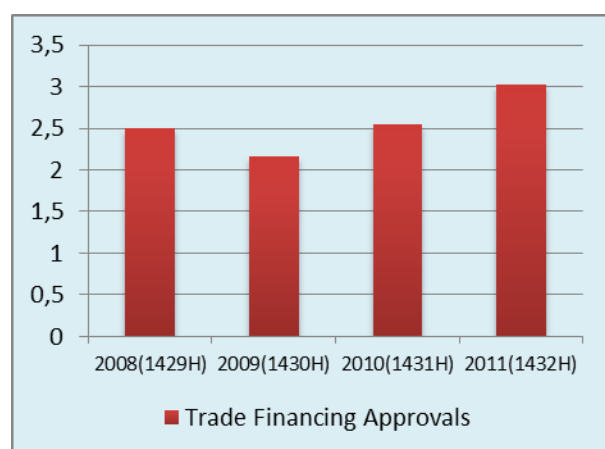
In Its previous Sessions, COMCEC has requested the ICDT to organize sectoral trade fairs in addition to the Islamic Trade Fairs. Since the last Summit Conference, ICDT has organized Fairs and Exhibitions on Building and Construction, Agri-business, Cotton and Textiles, Health and Higher Education. The Center will continue to organize sectoral trade

fairs and exhibitions in 2013 in the areas of tourism, furniture and agribusiness.

- **Trade Financing**

Access to affordable trade financing is one of the crucial factors for the business people in the OIC Member States to make commercial transactions. In this context, COMCEC has initiated Export Financing Scheme (EFS) which had been operated by the Islamic Development Bank (IDB) in order to enhance intra-OIC trade.

Figure 6: Trade Financing Approvals by the ITFC between 2008-2011 (Billion USD)



Source: ITFC 2012

In 2008, International Islamic Trade Financing Corporation (ITFC), is established entity under the IDB Group to consolidate the trade finance business that was formerly undertaken by various windows within the IDB Group. Most common modes of trade financing provided by the ITFC are murabaha, installment sale and istisna'a.

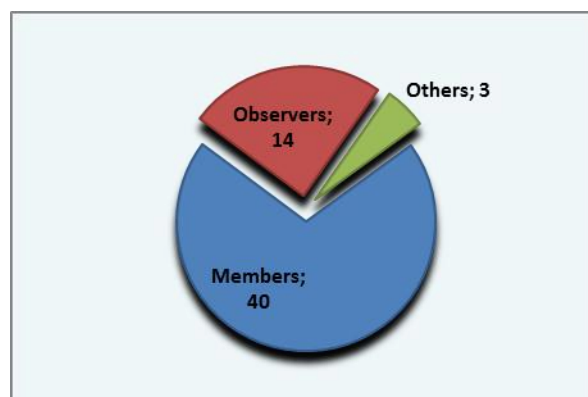
Since its establishment, the ITFC has increased the volume of operations and business portfolio. In 2011 (1432H) its trade financing

approvals have reached 3.02 Billion US Dollars (ITFC 2012). In order to have greater impact, it also gives more emphasis on providing finance to Least Developed Member Countries (LDMC's), SMEs and strategic commodities produced in the Member States such as oil, cotton, wheat etc.

- **WTO Related Technical Assistance**

COMCEC encourages its members to join the WTO in order to benefit from the international trade system on an equitable and fair basis. For this purpose, IDB Group and ICDT organize training courses, seminars and workshops on WTO related issues for the benefit of the OIC Member Countries.

Figure 7: WTO Membership Status of the OIC Member States by January 2013.



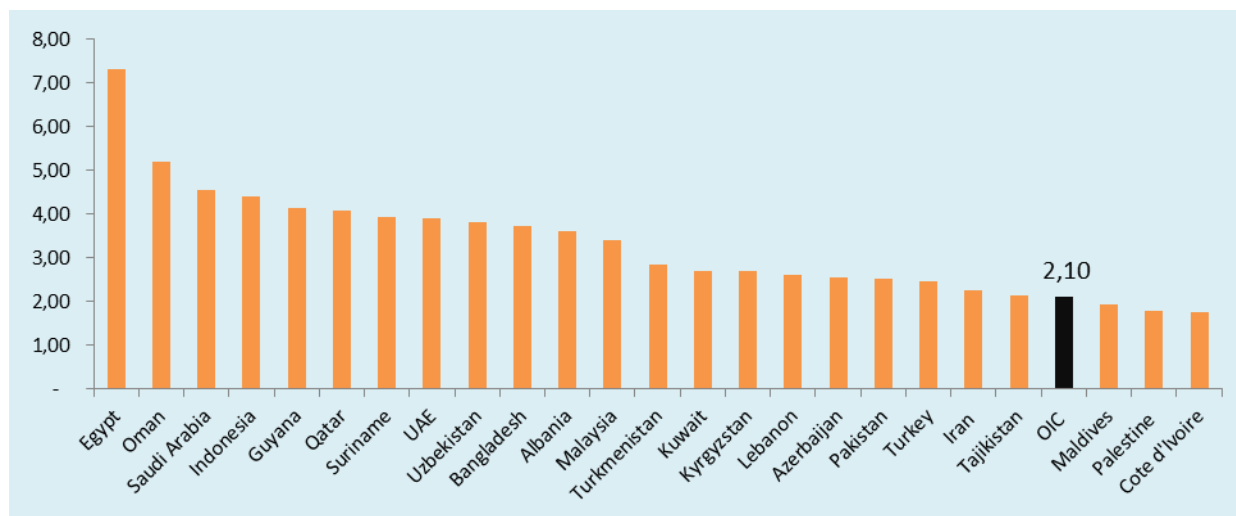
Source: WTO 2012

2.4.2. Priority Sectors

- **Agriculture**

Brief Outlook:

Agriculture is widely known to be a main economic activity and plays a crucial role in the economies of developing countries. It constitutes the main source of employment for the majority of the world's poor.

Figure 8: Land Productivity in some OIC Countries (on average, tonnes per hec. 2000-2010)

Source: FAOSTAT, SESRIC

Agriculture sector has gained a top position in the international agenda due to recurrent global food crisis.

Agriculture is of critical importance to many OIC member countries, especially the least developed ones. It is a very important means of broad-based income generation. It remains the largest contributor to the livelihoods of millions of people living in the rural areas.

In the OIC Member Countries, millions of people do not have access to sufficient food. the majority of the member countries is not self-sufficient in food production and depends to a large extent on imports to meet their food demand.

The agriculture sector in the OIC countries has been suffering from, among others, lack of public sector investment in physical infrastructure, lack of private sector investments in farming and agribusiness enterprises, lack of sustainable natural resource management (land, water, fisheries and forests), and post-harvest

losses. The Figure 8 demonstrates the land productivity in some of the OIC Member States.

With more than half of their population living in rural areas and most of them depending on agriculture for their income and survival, addressing the challenges facing agricultural and rural development is a prerequisite for the OIC Countries.

Recent Developments

With a view to strengthening cooperation among the Member Countries in the field of agriculture, the COMCEC Economic Summit and the 25th Session of the COMCEC held in November 2009 prioritized the cooperation in this important domain.

The 25th Session of the COMCEC decided to establish a Task Force on Agriculture, Rural Development and Food Security comprising the OIC General Secretariat, CCO, IDB and FAO.

The Task Force prepared the Draft Framework for Cooperation in Agriculture, Rural Development and Food Security in OIC Member States. The Framework has been submitted to the 28th Session of the COMCEC. The Session has welcomed the Draft Framework Document and requested the Member States, which have not done so, to send their views on the Document at the earliest convenience.

During the period under review, several activities have been organized successfully. These activities are as follows:

- Workshop on Agriculture and Rural Development (16-17 September, 2010, Antalya, Turkey)
- High Level Officials/Experts Meeting of the OIC Member States on Food Security (28-29 September, 2010, İzmir, Turkey)
- The 5th OIC Ministerial Conference on Agriculture (26-28 October, 2010, Khartoum, Sudan)
- The 6th OIC Ministerial Conference on Agriculture (3-5 October, 2011, İstanbul, Turkey)
- Forum and Workshop on the Development of Agro-food Industries in OIC Member States (11-12 October 2011, Kampala, Uganda)
- Workshop on "Enhancing the Capacity of the Member States in Wheat Production" (15-16 January 2013, İzmir, Turkey)

Furthermore, Ministerial Exchange of Views Sessions were organized with the themes of "Impact of Food Crisis" and "Agriculture and Rural Development" respectively during the 25th and the 26th Sessions of the COMCEC.

• Tourism

Brief Outlook:

Tourism is an important sector of the economy in both developed and developing countries. For many economies, it is a major source of foreign exchange income and the number one export category, creating much needed employment and opportunities for development. Besides its economic benefits, tourism contributes to poverty reduction and fosters cross cultural understanding and well-being among countries.

Globalization has increased interdependence between countries, economies and people, giving rise to a new momentum in the international tourism market. It has resulted in changing patterns of travel flows and demand. International tourism market has become characterized by wide geographical distribution and continuous diversification of destinations. New tourist-receiving markets have been emerging in the developing regions of Asia, the Pacific, the Middle East and Africa. Rapid expansion of new destinations and new markets has, therefore, increased the competition in tourism sector.

Over the past six decades, tourism has experienced continued growth and diversification and became one of the fastest growing economic sectors in the world (UNWTO 2012). International tourism has maintained this momentum in 2011 despite the

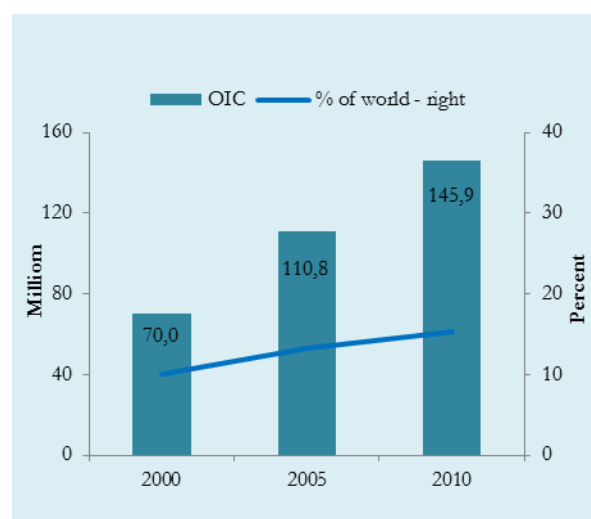
challenging context due to debt-crisis, major political changes in the Middle East and North Africa and natural disasters in Japan.

International tourist arrivals grew by 4.6 percent in 2011 and totaled 983 million tourists, up from 940 million in 2010 (UNWTO 2012). Europe, which accounts for over half of all international tourist arrivals worldwide, was the fastest-growing region, both in relative terms and absolute terms (29 million more visitors). The Middle East was the only region to record a decline in arrivals (-8 percent), mainly due to the Arab Spring and recent political developments in the region.

In 2011, international tourism receipts reached US\$ 1,030 billion up from 927 billion in 2010. By region, the Americas (+5.7 percent) recorded the largest increase in receipts in 2011, followed by Europe (+5.2 percent), Asia and the Pacific (+4.4 percent) and Africa (+2.2 percent). The Middle East was the only region recording negative growth (-14 percent).

In recent years, international tourism activity in the COMCEC member countries showed a positive trend in terms of both tourist arrivals and tourism receipts. Figure 9 demonstrates the international tourist arrivals in the member countries from 2000 to 2010.

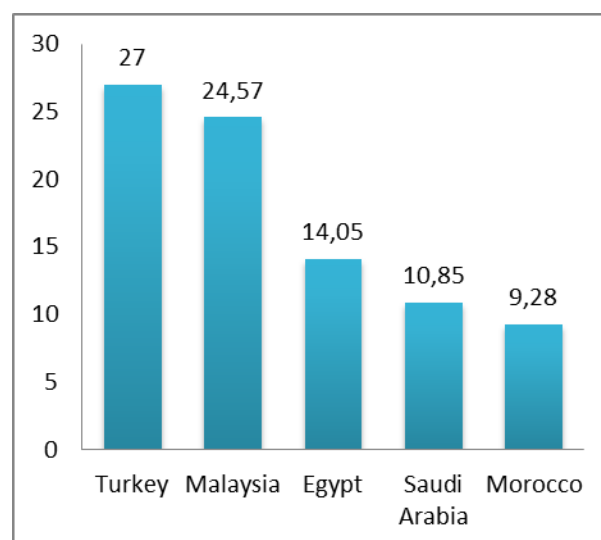
Figure 9: International Tourist Arrivals of the OIC Countries



Source: SESRIC 2012c

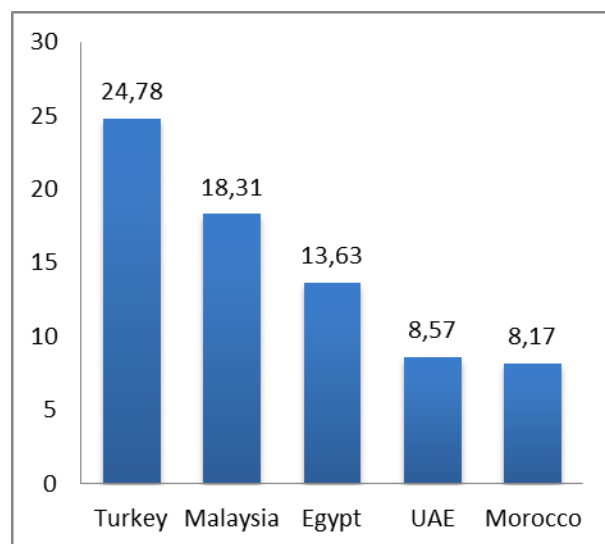
The Figures 10 and 11 show the top 5 Member States in terms of international tourist arrivals and tourism receipts.

Figure 10: Top 5 OIC Member States in International Tourist Arrivals in 2010 (Millions)



Source: Worldbank 2012d

Figure 11: Top 5 OIC Member States in International Tourism Receipts in 2010 (USD Billion)



Source: Worldbank 2012c

Tourism sector has a great potential for the socio-economic development of the COMCEC member countries. Their performance in this sector, indicates that there is still a great deal of scope for realizing their full potential. The challenges affecting tourism performance in the COMCEC region ranges from, among others, insufficient tourism-related infrastructure and investments, unskilled tourism workforce to low-capacity tourism administrations and lack of safety and security.

In order to address the challenge of insufficient tourism-related infrastructure and investments, the quality and efficiency of tourism infrastructure and services need to be improved in conformity with the international standards. To develop tourism-related infrastructure in the COMCEC region, private sector's resources can be utilized. In this respect, Public-Private Partnerships (PPPs) can be promoted and an enabling environment can be provided for attracting more FDI in the tourism sector.

Due to its labor-intensive nature, tourism sector requires a highly qualified workforce that has a direct effect on the quality of tourism services. Training programs and projects need to be developed for upgrading the quality of workforce in the member countries. COMCEC platform can be utilized by the member countries for sharing their good practices and experiences.

Tourism is a horizontal and multi-stakeholder sector which necessitates effective cooperation and coordination among different line ministries, local authorities, private sector and NGOs. In the COMCEC member countries, it is crucial to strengthen tourism governance through strong tourism administrations having the capacity to effectively coordinate different stakeholders.

Safety and security issues are the other critical factors affecting the development of tourism sector. The existence of a negative perception of the COMCEC region necessitates cooperation among the member countries to produce workable solutions in order to mitigate the adverse impacts of safety and security incidences on tourism development in the Member States.

Tourism is a dynamic sector that is subject to political, social, environmental and technological trends, shaping tourist preferences, skill requirements of tourism related-jobs and structure of the tourism market. It is crucial for the COMCEC members to better engage in the long-term global tourism market trends and to build sound tourism policies in order to improve competitiveness in the sector.

Recent Developments

To enhance cooperation among its Member Countries in the area of tourism, the COMCEC Economic Summit, held on November 9th, 2009 in İstanbul, decided to prioritize cooperation in this important field. In this framework, ongoing cooperation activities under the COMCEC umbrella such as Islamic Conference of Tourism Ministers (ICTMs), Tourism Coordination Committee Meetings have been enriched by the new cooperation efforts.

In this respect, to ensure active involvement of the private sector in the COMCEC tourism cooperation, the Workshop on “Private Sector Cooperation for Enhancing Intra-OIC Tourism” was held on December 10th, 2010 in Izmir, Turkey. The Workshop recommended the establishment of a Tourism Forum which would regularly bring private sector representatives together to discuss potential cooperation areas in the domain of tourism. The 27th Session of the COMCEC welcomed this recommendation and called upon member countries to encourage their private sector representatives to actively contribute to this initiative.

In line with the relevant resolutions of the 27th Session of the COMCEC, the 2nd Workshop on “Private Sector Cooperation for Development of Tourism within OIC” was held on 9-10 December 2011 in İzmir. Accordingly, the “OIC/COMCEC Private Sector Tourism Forum” was established. The forum aims at providing a regular communication channel for the private sector representatives of the Member States to discuss their common issues in this field and share their experiences and knowledge. It is an important initiative of the COMCEC Members which would enable active

participation of the private sector in the COMCEC tourism cooperation. With the increased ownership of its activities by the Member States, the Forum is expected to help overcoming some of the above-mentioned challenges facing the COMCEC region. The Forum will also provide the Member States with new insights, from a private sector perspective, for designing effective tourism policies.

The 1st Meeting of the OIC/COMCEC Private Sector Tourism Forum was held on 7-8 December 2012 in İzmir, Turkey. The participants have shared their experiences and deliberated on ways and means of cooperation among the tourism operators of the Member States.

The 3rd Coordination Committee Meeting on the implementation of the “Framework for Development and Cooperation in the Domain of Tourism among OIC Member States” was held on 12-13 June 2012, in Tehran. The Committee reviewed and discussed the progress in the implementation of the Framework Document on Tourism and the Resolutions of the 7th session of ICTM. In this context, the meeting considered the mechanism and criteria for the selection of the OIC City of Tourism.

The Second Tourism Fair of the OIC Members will be organized on 19-22 March 2013 in Cairo, Egypt.

- **Transport**

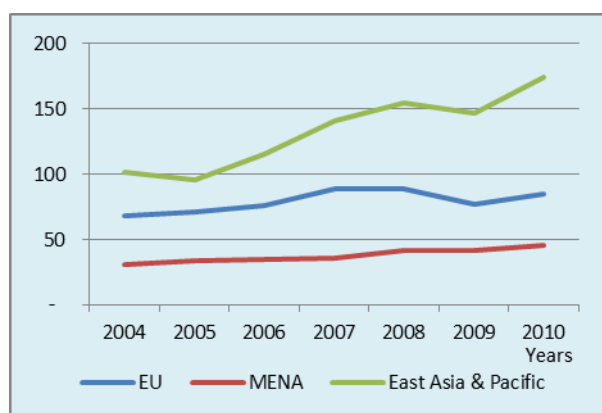
Brief Outlook:

The Transport sector has a very important place in economic and social development. A Well - functioning transport system facilitates access to goods, resources and local and international

markets. Transport is also essential for improving people's access to basic public services such as health and education. However, due to various factors such as lack of sound policies, inadequate financial and technical resources and political instabilities, many countries could not establish an efficient and sustainable transport system.

Rapid advancement of information and communication technologies within the last decades has led to dramatic improvement of the transport sector worldwide. Today, people and goods can move much faster and easier than ever before. Furthermore, as globalization increases international competition, countries look for ways and means of improving their transport infrastructure and services to meet their demands. Countries that have managed to bring the quality of transport sector to the globally required level have enjoyed the benefits of globalization and fully integrated into the global economy.

Figure 12: Container Port Traffic in Million TEU 2004-2010



Source: Worldbank 2012b

On the other hand, particular regions of the world suffer from inadequate transport infrastructure as well as poor access to proper transport services, which impedes their development efforts and leads to their marginalization and impoverishment. Poor

infrastructure, prolonged cross-border formalities and counter-productive regulations result in high transport costs rendering imports expensive and exports uncompetitive, and thereby limiting economic growth and trade competitiveness in these countries.

The crisis has adversely affected transport infrastructure projects, due to the fragile fiscal positions of many countries as well as the tightening credit conditions worldwide.

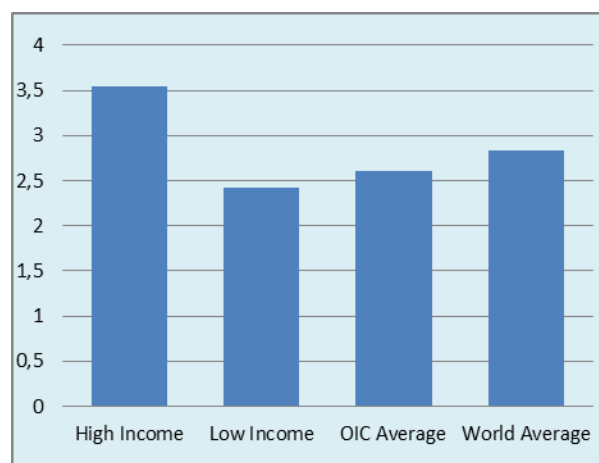
With regard to the situation in the OIC countries, the overall picture of the sector seems to be quite uneven. While some member countries have advanced transport systems, a number of other countries suffering from lack of accessibility are exposed to the risk of further marginalization and exclusion. As a result, they are exposed to a vicious cycle of economic and social deprivation.

The Member States with an efficient transport system are well integrated into the global economy, and use this advantage in trade. Unfortunately, Member States lacking an efficient transport system suffer the consequences in conducting domestic and international business.

Some major common problems of the transport sector in the COMCEC Region can be cited as follows : Poor infrastructure and maintenance services, high costs associated with the sector, complex and inconsistent border-crossing procedures, inadequate human and institutional capacity of relevant authorities, and lack of a sound, harmonized, and straightforward legal and regulatory framework, both at national and regional levels. The need for a substantial improvement in particularly trade-related transport services in the OIC Region can also be seen from the World Bank's Logistic

Performance Index (LPI) of 2010, where the average performance of the OIC countries was worse than the world average and slightly better than the low income countries.

Figure 13: Logistics Performance Index in Comparative Perspective



Source: Worldbank 2010

Recent Developments

The current situation of the transport sector in the Member States calls for dedicated efforts to improve the functioning effectiveness and sustainability of their transport systems. In order to enhance cooperation among the Member States in the area of transport, the COMCEC Economic Summit, held on November 9th, 2009 requested the COMCEC to revitalize cooperation in this important field. In this regard, the Ministerial Exchange of Views Session of the 27th Session of the COMCEC was held with the theme of “Impact of Transport Networks on Trade and Tourism”.

Prior to the Session a Transport Expert Group Meeting and Workshop on the theme of the Exchange of Views Session were held successively on 7-9 June 2011 in İzmir. The

experts from the Member States and International Institutions have reviewed the common obstacles hindering the development of transport sector and adopted set of recommendations for enhancing cooperation in this important sector. The Session considered the recommendations of the EGM and the workshop welcomed the submitted “Transport Cooperation Framework within the OIC” (İzmir Document 2011).

İzmir Document 2011 is a framework document that describes the overall objectives of transport cooperation and identifies major common obstacles hindering transport sector development and means of its implementation.

The main objective of the İzmir Document is ensuring a well-functioning transport sector in the Member States and increasing interconnectivity among them. In this context, the İzmir Document defines the areas of cooperation as harmonization of national legislations on transport, trade and transport facilitation and establishment of safe, secure, high-quality and interconnected transport networks.

Increasing interconnectivity among the Member States through transport facilitation would serve as a catalyst to create convergence between higher and lower income member countries. It would also provide an opportunity for those member states which have remarkable experience and knowledge in this area to share them with the relatively less developed member states.

The quality of transport-related public services plays also a central role in the overall

functioning of the sector. In this context, cooperation among the Member States would include harmonization of transport related services and regulations with internationally recognized standards.

Transparent, responsive, and effective institutions would substantially contribute to the development of the sector in our region. Therefore, enhancing institutional and human capacity through intensive training programs is another important objective of the İzmir Document 2011.

The İzmir Document 2011 also puts forward the means of implementation which include capacity building programs, seminars, workshops and the establishment of a statistical database

2.4.3. Financial Cooperation

Brief Outlook:

Since the last Summit, the world economy has witnessed one of its worst crisis since the Great Depression. Despite originating from the advanced economies, the global economic crisis has severely hit the developing countries.

The first signals of the global economic crisis came from the US Economy in 2007. Contraction of the US economy soared in mid 2007; a consequence of which was big losses in the Dow Jones Index.

The economic crisis resulted in the decline of the global demand starting from mid 2008. The commodity prices declined rapidly between the first and second half of 2008. For example, a barrel of crude oil that reached US\$ 146.35 in

July 11th, 2008 went down to US\$ 64.15 in October 24th, 2008.

The crisis had negative impact on the economic growth rates in 2008. Having grown with an annual average rate of 2.9 percent in the period 2004-2007, the developed countries experienced a sharp decline in their economic growth in 2008, to 0.5 percent. (SESRIC 2010)

In 2009, the recovery process started as a result of the monetary and fiscal measures. In 2009, developing countries showed better economic performance than developed countries. While advanced economies were shrinking by 3.2 percent in 2009, developing countries recorded 2.5 percent growth rate.

The world economy has recovered gradually after the 2008-2009 financial crisis in 2010. After achieving 4.1 percent growth in 2010, the global economy has recorded a 2.7 percent increase in 2011. The World economy is expected to grow steadily in the upcoming years.

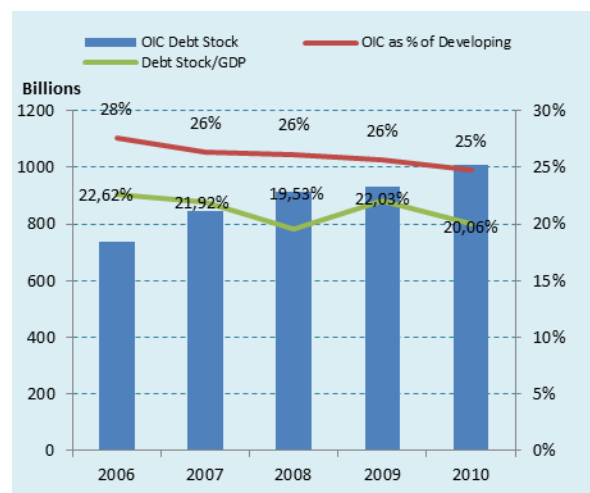
Table 3: Prospects for the Global Economy

	2010	2011	2012e	2013f	2014f
World	4.1	2.7	2.5	3.0	3.3
OECD	2.9	1.4	1.3	1.8	2.2
Euro Area	1.8	1.6	-0.3	0.7	1.4
United States	3.0	1.7	2.1	2.4	2.8
China	10.4	9.2	8.2	8.6	8.4
Developing Countries	7.4	6.1	5.3	5.9	6.0
Developing Countries except China and India	5.6	4.4	3.6	4.3	4.5

Source: Worldbank 2012a

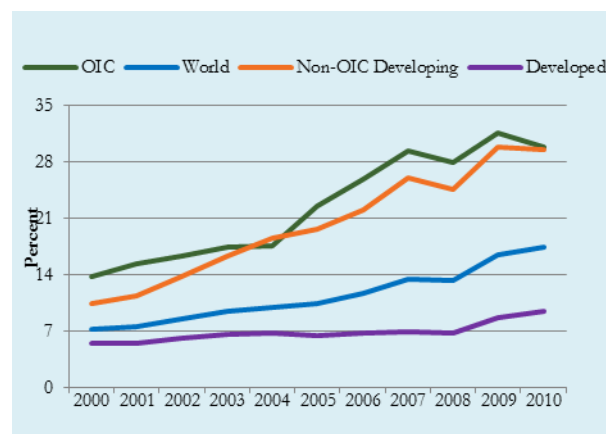
Figure 14 and 15 below indicate external debt stock and total reserves of the OIC Member States.

Figure 14: External Debt Stock of the OIC Countries



Source: SESRIC 2012c

Figure 15: Total Reserves of the OIC Countries including Gold, % of GDP



Source: SESRIC 2012c

Recent Developments

In order to mitigate the adverse effects of the recent global economic and financial crisis, the COMCEC has intensified its efforts for

enhancing financial cooperation among the Member States. In addition to ongoing cooperation efforts among the Stock Exchanges, COMCEC also revitalized cooperation among Central Banks and Monetary Authorities of the Member States and commenced the cooperation among the Capital Markets Regulatory Bodies.

• Cooperation among the Stock-Exchanges

The cooperation among the Stock Exchanges Member States was initiated in line with the decision taken by the 20th Session of the COMCEC. Accordingly, the Stock Exchanges Forum was established.

The Forum provides a regular platform for the Stock Exchanges to share their experience and knowledge to harmonize the rules and regulations governing market operations, as well as to open channels through which the stock exchanges may continue to cooperate.

As a result of its dedicated efforts, the Forum has successfully finalized its work regarding the S&P OIC/COMCEC 50 Shariah Index, which is one of the most important projects of the Forum. The Index has been launched on June 22nd, 2012 in Istanbul. The Index is designed to measure the performance of 50 leading companies from the 19 member states, namely Bahrain, Bangladesh, Cote d'Ivoire, Egypt, Indonesia, Jordan, Kazakhstan, Kuwait, Lebanon, Malaysia, Morocco, Nigeria, Oman, Pakistan, Qatar, Saudi Arabia, Tunisia, Turkey and the United Arab Emirates. The official launching ceremony of the S&P OIC/COMCEC 50 Shariah Index was held during the Opening Ceremony of the 28th Session of the COMCEC.

The Forum has held six meetings so far. The sixth meeting of the OIC Member States' Stock Exchanges Forum was held on September 26th, 2012, in Istanbul, Turkey.

The Meeting was attended by the representatives of 16 Stock Exchanges, 8 Central Depositories, Clearing and Registry Institutions and relevant OIC and International Institutions. After reviewing the progress achieved so far, the Meeting decided to develop an integrated strategy for the promotion of the S&P/OIC COMCEC 50 Shariah Index and continue to work on the introduction of sukuk and other Islamic capital market instruments.

Furthermore, the Meeting recommended the Forum Secretariat to continue to work on the development of the Forum web site and continue to facilitate and coordinate the work of the Task Forces and project groups formed under the Forum.

The Seventh Meeting of the Forum will be held in October 2013 in Istanbul.

- ***Cooperation among the Central Banks and Monetary Authorities***

In accordance with the relevant resolution of the 24th Session of the COMCEC, cooperation among the Central Banks and Monetary Authorities of the Member States was revitalized. Four meetings have been held since then.

The last two meetings of the Central Banks and Monetary Authorities were held in 2011 and in 2012 in Malaysia and in Turkey, respectively.

The 11th Meeting of the OIC Central Banks and Monetary Authorities highlighted the crucial

role of financial sector has an essential role in intermediating funds towards productive economic activities and generating sustainable and balanced growth. The meeting also highlighted the critical role played by the Central Banks in facilitating a nation's developmental agenda towards achieving sustainable and non-inflationary economic growth. Furthermore, the Meeting emphasized the importance of Islamic finance in this context. Lastly, the Meeting underlined the importance of capacity building and training programs organized by the SESRIC for the benefit of Central Banks and Monetary Authorities of the Member States.

The 12th Meeting was held on 14-15 May 2012 in Istanbul, Turkey. The Meeting acknowledged the vital roles and responsibilities of Central Banks and global financial sector in promoting both Islamic and conventional finance to boost intra-OIC cross-border connectivity and investment opportunities.

In order to strengthen cooperation in this field, the Meeting agreed to establish working groups to prepare technical background papers in the following areas: Payment Systems (Co-chairs: Turkey and Indonesia), Macro-Prudential Regulations (Co-chairs: Sudan and United Arab Emirates), and Liquidity Management in Islamic Finance (Co-chairs: Malaysia and Bahrain).

The upcoming meetings will be held in Kingdom of Saudi Arabia and the Republic of Indonesia in 2013 and 2014, respectively.

- ***Cooperation among the Capital Markets Regulatory Bodies***

As per the decision of the 26th Session of the COMCEC, Capital Markets Regulatory

Authorities Conference and Roundtable convened on September 16th, 2011, in Istanbul, Turkey. In the meeting, representatives of the Regulatory Authorities shared views and ideas for potential cooperation topics and for developing a cooperation mechanism for Capital Markets' Regulatory Bodies of the Member Countries.

The Meeting decided to establish "COMCEC Capital Market Regulators Forum" among the COMCEC member countries' regulators. The 27th Session of the COMCEC has welcomed the establishment of the Forum.

COMCEC Capital Market Regulators Forum aims at increasing coordination and cooperation in regulatory and legal infrastructure with a view to achieving more harmonized policies and regulations among the Member Countries.

The 1st Meeting of COMCEC Capital Market Regulators Forum was held on 26-27 September 2012 in İstanbul, Turkey. The event was hosted by the Capital Markets Board of Turkey (CMB) as the Secretariat of the Forum. Representatives of 14 Member States and the relevant International Institutions have participated in the Meeting.

The Meeting decided on the composition of the Task Forces on "Capacity Building", "Market Development", "Islamic Finance" and "Financial Literacy". The Membership of the Task Forces will be open to all COMCEC Member States.

2.4.4. Poverty Alleviation

Brief Outlook:

Poverty is a multi-dimensional issue which affects all aspects of human life. Poverty is also lack of choices and opportunities to live a healthy life, get better education, live with dignity and self-respect. In last two decades, there has been important progress in the eradication of the poverty at global level. There has been crucial economic growth, technological advances and globalization of trade and finance that played a pivotal role to improve the living standards across the globe especially in the developing countries. However, according to FAO estimates, a total of 870 million people were undernourished in the period 2010-12. Most of them are living in developing countries, where the prevalence of undernourishment is now estimated at 14.9 percent of the population.

Considering the fact that 21 out of 48 LDCs of the world are in the COMCEC region, it is fundamentally important to strengthen solidarity among the member countries for poverty alleviation. In this respect, to eradicate poverty in the region COMCEC has intensified its cooperation efforts.

Recent Developments

Poverty alleviation is one of the important agenda items of COMCEC. Several projects and programs have been undertaken in this area, such as Islamic Solidarity Fund for Development (ISFD), Special Program for Development of Africa (SPDA), Cotton Action Plan and OIC-Vocational Education and Training (VET) Program.

- **Islamic Solidarity Fund for Development (ISFD)**

The ISFD was established as a Special Fund within the IDB and officially launched during the 32nd Meeting of the IDB Board of Governors (BOG), held on 29-30 May 2007 in Dakar, Senegal. Established in the form of a Waqf, the Fund had a principal target capital of US\$10 billion.

To-date, the ISFD has approved 29 projects with direct funding from its income, in addition to co-financing from IDB, governments and other financiers. The cumulative project cost of these projects is estimated at US\$1061.7 million. The Fund contribution to these programs is US\$172.0 million, while the remaining amount of US\$889.7 million has been leveraged from the IDB, governments and other financiers.

Source: IDB (2012a)

The COMCEC, in its recent sessions, has welcomed the contributions made by the Member States to the ISFD and urged the countries that have pledged to contribute, to fulfill their commitments and those that have not pledged any contributions to do so, in order to enable the Fund to realize its objectives.

- **Special Program for Development of Africa (SPDA)**

The SPDA was launched in 2008 with a view to contributing to poverty reduction and reinforcing regional integration. The total level of funding for SPDA is set at USD 12 billion for the period of 5 years (1429H-1433H / 2008-2012).

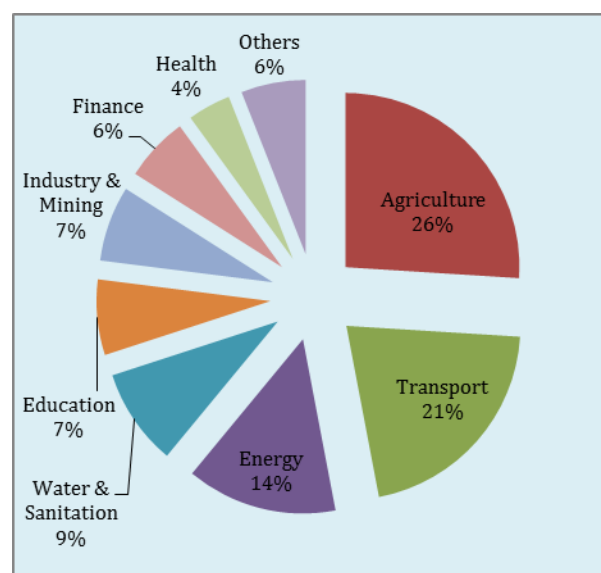
Table 4: SPDA Approvals (1429H-2nd Quarter of 1433H/ 2008-2012)

Type of Financing	USD Million	Share (%)
Project Financing	3561,8	78.57
Trade Financing	966,2	21.31
Waqf Fund Financing	5,3	0.12
TOTAL	4533,3	100

Source: IDB 2012b

Cumulatively, total approvals by the IDB Group from 1429H to the second quarter of 1433H amounted to US\$4.533 billion for 423 operations (for projects, trade and Waqf) (IDB 2012B). Agriculture sector had the biggest share in total approvals with 26 percent, followed by the transport sector with 21 percent.

Figure 16: Sectoral Distribution of SPDA Approvals (1429H-2nd Quarter of 1433H/ 2008-2012)



Source: IDB 2012b

In its last Session, the COMCEC has welcomed the efforts of the Islamic Development Bank (IDB) for mobilization of resources from different financing institutions for the

implementation of the Special Programme for the Development of Africa (SPDA) and called upon the IDB for better management of the projects implemented under the SPDA.

- ***OIC Cotton Programme***

Cooperation in the cotton sector is an important initiative within the OIC. Cotton is a crucial product for some OIC Countries, especially the countries in West and Central Africa. Since the launch of the cotton initiative within the OIC in 2005, three EGMs have been held. In this respect, the OIC Five-Year Cotton Action Plan (2007-2011) was prepared with a view to strengthening trade, investment and technology transfer in/between cotton producing Member States, particularly, in Africa. This Action Plan was endorsed by the 22nd Session of the COMCEC. The 26th Session of the COMCEC adopted the extension of the period of the OIC Five Year Cotton Plan for a further five years (2011-2016).

Within the framework of the Cotton Action Plan, the Project Committee and Steering Committee were formed. The IDB was designated as the Chairman of the former while the Ministry of Customs and Trade of Turkey of the latter. Until now, five Steering Committee and four Project Committee meetings have been held. The last meetings of the Committees were held on 21-25 September 2011 in Ouagadougou, Burkina Faso.

Under the OIC Cotton Action Plan, twenty-seven projects were proposed by the Member States. The proposals were submitted to the IDB and other possible donors for funding. Till now, two projects have been implemented. The IDB Group has approved financing six projects, the remaining ones are under consideration.

The COMCEC, in its annual sessions reviews the progress on the cooperation in this issue. Lastly, during its 28th Session, the COMCEC requested the IDB Group to finalize its consideration on the projects which have already been submitted for financial support. The Session also took note of the Cotton Training Programmes of SESRIC and urged the Cotton Research Centers of Excellence to enhance their cooperation with SESRIC in implementing these programmes.

- ***OIC-Vocational Education and Training (VET) Programme***

Vocational Education and Training Programme for OIC Member Countries (OIC-VET) has been initiated by SESRIC in 2009 with the aim of improving the quality of Vocational Education and Training (VET) in Member States by providing opportunities for individuals to develop their knowledge and skills; thus to contribute to the development and competitiveness of the economies of Member Countries.

The 24th Session of the COMCEC held in İstanbul on 20-24 October 2008 approved the implementation mechanism of Vocational Education and Training Programme for the OIC Member Countries (OIC-VET) and called upon the member states to incorporate their vocational training programs into the OIC-VET Programme.

Figure 17: Current Sub-programmes Implemented under the OIC-VET



Source: SESRIC 2012a

To monitor and evaluate the progress in this program, Monitoring and Advisory Committee (MAC) was formed.

SESRIC is regularly submitting progress reports to the COMCEC Sessions on the implementation of the OIC-VET.

2.4.5. Private Sector Cooperation

Brief Outlook:

Promoting the role of the private sector is critical for sustainable economic growth and reducing poverty in Member States. In this regard, private sectors involvement in economic and commercial cooperation among the OIC Member States is one of the significant goals of the COMCEC.

Private Sector Meetings are one of the most important activities for enhancing the private sector involvement in the cooperation endeavours under the COMCEC.

The Islamic Chamber of Commerce, Industry and Agriculture (ICCIA) organizes annual Private Sector Meetings in line with the relevant resolutions of the COMCEC. The objectives of these meetings are to provide a platform for the private sector to explore new opportunities and markets, expand their network and to create new linkages in the areas of trade, joint venture, entrepreneurial development and technology transfer among the OIC Countries. ICCIA is regularly submitting reports to the COMCEC Sessions on Private Sector Meetings.

Recent Developments:

Since the last Summit ICCI has organized 12th, 13th and 14th Private Sector Meetings in Uganda, Tajikistan and UAE respectively. The 14th Private Sector Meeting for the Promotion of Trade and Joint Venture Investment among Islamic Countries was held on 24-26 April 2011 in Sharjah, UAE, under the theme of “Small and Medium Enterprises: Opportunities & Challenges in the Economies of the Islamic Countries”.

The 15th Private Sector Meeting will be held in April 2013 in Tehran, Islamic Republic of Iran.

Besides the Private Sector Meetings, since the last Summit, Turkish Union of Chambers and Commodity Exchanges (TOBB) has organized COMCEC Business Forum in 2009 and Independent Businessmen and Industrialists Association of Turkey (MÜSİAD) has organized International Business Forum (IBF) and MUSIAD International Fair in 2008, 2010 and 2012.

COMCEC also gives utmost importance to the development of SMEs in the Member States. In this context, the 27th Session of the COMCEC

has decided the theme of the Ministerial Exchange of Views Session of the 28th Session as “Enhancing the Competitiveness of the SMEs in the OIC Member States”. In accordance with the resolution of the 27th Session of the COMCEC, SESRIC, IDB, Small and Medium Enterprises Development Organization of Turkey (KOSGEB) and SME Corporation Malaysia (SME Corp Malaysia) jointly organized a preparatory workshop on “Enhancing the Competitiveness of the SMEs in the OIC Member States” on 12-14 June 2012 in Ankara, Turkey.

The preparatory workshop focused on the following three important areas that affect the competitiveness of the SMEs: access to finance, technology and international markets.

The Ministerial Exchange of Views Session of the 28th Session of the COMCEC was held with the theme of "Enhancing the Competitiveness of the SMEs in the OIC Member States". The Session considered the Recommendations of the Preparatory Workshop.

Lastly, COMCEC Coordination Office has also organized a Panel on “SMEs Access to Finance in the OIC Member States: Challenges and Prospects” during the 28th Session of the COMCEC

Conclusion:

The world economy has passed through a very critical period between 2008 and 2012. Soaring food prices, global economic crisis, the Arab Spring and the European Debt Crisis are some of the important developments which had affected almost all economies.

During the said period, the COMCEC had intensified its efforts for enhancing economic and commercial cooperation and to support the Member States to mitigate the risks brought by the global and regional developments. The COMCEC has closely followed up the developments and updated its agenda accordingly. While continuing its efforts for enhancing cooperation in its existing cooperation areas, it has also revitalized cooperation in the areas of agriculture, tourism and transportation as requested by the COMCEC Economic Summit held in 2009. It has also accelerated its efforts for deepening cooperation in financial sector.

These efforts have given its fruits. To illustrate; SMIIC has become operational, the COMCEC Capital Markets Regulators' Forum and the "OIC/COMCEC Private Sector Tourism Forum" have been established, the S&P OIC/COMCEC Index has been launched and a Vision Document for the COMCEC, the COMCEC Strategy, has been prepared, and adopted by the 4th Extra-Ordinary Summit held in August 2012, in Makkah Al-Mukarramah. The Strategy has been launched during the 28th Session of the COMCEC and has become operational.

The COMCEC Strategy, which will give direction to the cooperation efforts under the COMCEC, envisages a member driven

organization. It would ensure active and direct involvement of Member Countries in the COMCEC activities. The Strategy introduces a well-defined implementation mechanism. The main instruments of the implementation mechanism are the Working Groups and Project Cycle Management mechanism.

Since the last Summit, many activities have been organized in the cooperation areas. Organization of the COMCEC Economic Summit, on the occasion of the 25th Anniversary of the COMCEC is one the most important events in this period. During the COMCEC Economic Summit, the leaders discussed economic and commercial cooperation among the member countries at large, as well as issues pertaining to the work of the COMCEC in particular. At the end of the deliberations, the leaders of the Muslim world adopted the Istanbul Declaration of the COMCEC Economic Summit.

COMCEC has continued to organize Ministerial Exchange of Views on important issues during its Annual Sessions. Relevant Ministers from the Member States have participated in these Sessions and shared their experiences on the themes of the Exchange of Views Sessions.

Workshops, Expert Group Meetings (EGM), seminars and training courses have been organized in the cooperation areas in cooperation with the relevant OIC, International and Regional Institutions. The frequency of the organization of Trade Fairs, Private Sector Meetings and Business Forums has been increased in order to promote intra-OIC trade.

COMCEC will intensify its efforts for furthering the economic and commercial

cooperation among the member countries within the framework of the COMCEC Strategy. In this context, while following up the global economic developments closely, it will also give utmost importance to address the main development challenges of the Member States.

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