



Information Note
on
First Investment Forum on OIC Plan of Action for Cooperation with
Central Asia

Dushanbe, Republic of Tajikistan, 27-28 October 2014

I. INTRODUCTION:

1. The OIC Plan of Action for Central Asia, which was adopted by the 38th Session of OIC Council of Foreign Ministers (CFM) in Astana, Kazakhstan, on 28-30 June 2011, seeks to expand the regional cooperation framework of the OIC to the Central Asia region. It also seeks to ensure the progressive integration of the newly independent Central Asian countries into the mainstream of the OIC economic cooperation framework.
2. The First Investment Forum is being organized to mobilize and galvanize intra-OIC and international support for the implementation of the OIC Plan of Action for Central Asia, which features activities in such major areas as: agro-industrial development; transport sector development; trade promotion; and poverty alleviation, vocational training, and capacity building. It also includes fostering cooperation in the domains of research, education, science and technology; tourism and health care. The overall objective of the Plan is to consolidate people-to-people relations, thereby enhancing confidence-building measures necessary for peace-building in the sub-region.
3. The Central Asian OIC Member States comprise Kazakhstan, Kirgiz Republic, Tajikistan, Turkmenistan and Uzbekistan. However, considering the need for expanding regional partnership and economic integration, both Afghanistan and Azerbaijan are included among the host Central Asian OIC Member States of the Forum.

II. ECONOMIC SITUATION OF CENTRAL ASIAN MEMBER STATES:

4. The Central Asian OIC Member States are located in an important geo-strategic region. Home of the Silk Road, the region is placed at the crossroads of cultures and transit routes, connecting the West to the East. The region is rich in diversity and hugely endowed with natural resources in different fields and sectors.
5. The comparative advantages and complementarities of the economies of the countries in this region are manifested in the reserves of fossils in three of these countries while others have energy powered mainly by hydroelectricity. The desert area is crossed in some parts by gas and oil pipelines and in others by vast irrigated farms of cotton and wheat. According to the World Bank's classification, Azerbaijan and Kazakhstan are

considered as upper middle-income category of countries with respective GDPs of 54.370 billion and US\$148.047 billion respectively. On their part, Turkmenistan and Uzbekistan are low-middle income countries, posting GDPs of US\$20.001 billion and US\$38.987 billion respectively. The respective economic outputs of Kyrgyz Republic, Afghanistan, and Tajikistan are estimated at US\$4.615 billion, US\$15.541 billion and US\$5.642 billion in 2010.

6. The global and regional recessions severely affected exports, workers' remittances, and private capital flows, forcing the countries into their worst recession since just after independence. Individually, all OIC member countries in the region experienced lower real GDP growth in 2008 and 2009 compared to those in 2007. On average, the economic growth of Member States in the region is expected to increase in 2012 and 2013.

Growth rate of GDP (% per year)

	2007	2008	2009	2010	2011	2012	2013
<i>Afghanistan</i>	13.7	3.6	21.0	8.4	5.7	7.1	5.8
<i>Azerbaijan</i>	25.1	10.8	9.3	5.0	0.1	4.1	3.5
<i>Kazakhstan</i>	8.9	3.3	1.2	7.0	7.5	6.0	6.5
<i>Kyrgyz Republic</i>	8.5	8.4	2.9	-0.5	5.7	5.0	5.5
<i>Tajikistan</i>	7.8	7.9	3.9	6.5	7.4	5.5	6.0
<i>Turkmenistan</i>	11.1	14.7	6.1	9.2	9.9	10.0	9.0
<i>Uzbekistan</i>	9.5	9.0	8.1	8.5	8.3	8.0	7.9

Source: Asian Development Bank Outlook 2012

7. Due to its past economic system, human development indicators are better than in other countries at similar income level. Looking beyond growth rates, however, one challenge that stands out for the region as a whole is to create jobs. To be sustained, the growth strategies need to result in job creation and rising income for all segments of the population and address unemployment.
8. For most of the OIC Member States in Central Asia a significant proportion of GDP belong to the export. However, almost all countries are characterized by strong export specialization in one or few product groups-oil and gas in the case of Azerbaijan and Kazakhstan, aluminum and cotton in Tajikistan, gold in Kyrgyz Republic and cotton in Uzbekistan. As it can be seen the export structure is dominated by primary commodities and fuel which in part shows the vulnerability of these economies to the adverse trade shocks. The percentage of intra OIC trade of the total trade of most of these countries is increasing. The share of intra-OIC trade in overall trade of these countries for 2010 is: Tajikistan 42.09%, Turkmenistan 41.36%, Afghanistan 39.39%, Kyrgyzstan 32.56%, Uzbekistan 28.83%, Azerbaijan 16.15%, and Kazakhstan 7.46%.
9. The Foreign Direct Investment inflow to the Central Asian Member countries is not impressive expect in the case of Kazakhstan and Azerbaijan. Due to trade and production stricture of Central Asian Member Countries, the agriculture sector appears to be more attractive choice for investment. Foreign investment in agribusiness may efficiently replace public investment, but to date they make up a negligible percentage of the total

investment in this sector. Given the fact that a favorable investment climate encourages businesses, the Central Asian Member States are to take several actions to improve productivity and competitiveness such as (i) reducing informality; (ii) increasing the flexibility of the labor market; (iii) improving the skills of the labor force; (iv) facilitating firms' technological progress and; (v) increasing access to finance and improving the quality of infrastructure.

10. Moreover, the landlocked geographical nature of Central Asia is a comparative disadvantage when it comes to shipping goods and products. The average distance between major cities the region and the nearest ports, such as those in the Black Sea, the Arabian Sea and the Persian Gulf, is over 4,000 km. This is exacerbated by the poor quality of transportation services and difficulties with transit through neighboring countries. Furthermore, at the borders, improving the movement of goods will require the facilitation of customs procedures, various kinds of goods inspections, as well as the regimes for special categories of good. In this regard development of transport logistics to other parts of the world is a high priority for the countries in the region.

III. KEY DEVELOPMENT CONSTRAINTS:

11. The major challenges in the Socio-economic development of Central Asian Member States include: diversification of production and exports, infrastructural development needed for rapidly growing economies, enhancing competitiveness, ensuring environmental sustainability, removing tariff and non-tariff barriers to trade and improving the indices of time and cost of doing business, and addressing the lower labour and factor productivity.
12. Similarly, limited access to finance for Small and Medium Entrepreneurs (SMEs), limited public private partnerships, and limited investments are considered major constraints to development in the region. In the same vein policy and capacity development support is needed to improve governance for an effective incentive structure of efficient distribution of resources.

IV. MULTILATERAL INITIATIVES IN THE REGION:

13. Since independence, various multilateral bodies and regional organizations have been active in supporting economic development in the region. The first such initiative was the European Union's Transport Corridor linking Europe-Caucasus- Central Asia (TRACECA) which was launched in 1993. The second major regional initiative is the Central Asia Regional Economic Cooperation (CAREC) Transport and Trade Facilitation Strategy, which has been launched by Asian Development Bank (ADB) in November 2007. Another major regional initiative is the Central Asia-South Asia Regional Electricity Market (CASAREM), launched by World Bank (WB) in 2005 for cross-border electricity trading among Afghanistan, Kyrgyz Republic, Pakistan and Tajikistan.

V. OPPORTUNITIES FOR INTRA-OIC COOPERATION WITH CENTRAL ASIA:

14. The OIC Member States have a significant potential to enhance their competitiveness both at regional and international levels. This can be achieved not only by pursuing national programmes and strategies, but also by identifying a fit between their strengths and upcoming opportunities at the regional level. The OIC Member States in Central Asia need to develop a practical cooperation strategy and associated plan of action through which they can use the existing opportunities within the OIC framework to expedite their socio-economic development activities.
15. In this regard, intra- OIC trade presents significant potentials to be utilized, particularly under the OIC Trade Preferential System. In 2010, total OIC trade reached 18.07% of the OIC total trade. Low taxes for enterprises in the OIC Countries spur business activities for private sector and attract more investment from abroad. The ratio of total tax to profit is significantly lower in OIC Countries when compared to that of the other groups, making OIC Countries very attractive for investment. Similarly, the increasing share of OIC Countries in World total FDI inflows indicates growing attractiveness of OIC Countries for foreign investors and improvement in economic and regulatory institutions. The share of OIC Countries in World FDI inflows was 10.6% in 2010 compared to only 1.2% in 2000.
16. Between 2000 and 2007, the OIC Countries had around 51650 Small and Medium Size Enterprises (SMEs) that constituted 38% of the SMEs all over the world. These SMEs represent a principal driving force of economic growth and play an important role in stimulating private ownership and entrepreneurial skill, generating employment opportunities and contributing to trade activities. Moreover, SMEs activities are well pronounced in the tourism sector. The increasing tourism revenues and number of tourist arrivals are leading to higher economic growth, new employment opportunities in OIC Member States. The number of tourist arrivals in the OIC Countries is estimated at 145.9 million in 2010, and tourism receipt earned by OIC Countries is estimated to have been 104 billion USD in 2010.
17. The robust labour force in the OIC Countries is a vital contributor to economic growth. This is more so as efforts are underway to scale up entrepreneurship and micro-finance activities in OIC Member States. In addition to the creation of a SMEs fund within the framework of the Islamic Solidarity Fund for Development (ISFD), promotion of Islamic financial products is also aimed at stimulating intra-OIC investments in the real sector. Presently the value of global Islamic finance assets has surged from only 80 billion USD in 2000 to 1.1 trillion USD in 2011. Islamic finance is emerging as an alternative source of finance in addressing major development challenges faced by many Member Countries.

VI. OBJECTIVES AND EXPECTED OUTCOMES OF INVESTMENT FORUM:

18. The Investment Forum on OIC Plan of Action for Cooperation with Central Asia will address the following objectives:

- Sensitization of policy makers, business executives, and international investors from OIC Member States and beyond to the prevailing investment opportunities in Central Asian Member Countries;
- Establishment of partnerships for the implementation of projects in the major sectors covered by the OIC Plan of Action for Central Asia, particularly agro-industrial development; transport sector development; trade promotion; poverty alleviation, vocational training, capacity building; research, education, science and technology; tourism and health care;
- Provide avenue for showcasing the array of products in OIC Central Asian Member Countries;
- Enable networking between business and industrial establishments in OIC Central Asian Countries;
- Promoting Islamic products in the domain of food, beverages and finance.

VII. METHODOLOGY AND STRUCTURE:

19. The Investment Forum would convene for two days in both Plenary and Thematic Working Sessions. An Exhibition of Central Asian Products would be staged on the sidelines of the Forum.

- *The Plenary Sessions* would be dedicated to keynote addresses and discussions of outcomes of the Thematic Working Sessions. The Key note addresses will include presentation by eminent International and Islamic scholars in such areas as Islamic financing, trade facilitation, and investment promotion, among others.
- *The Thematic Working Sessions:* Four Thematic Working Sessions are envisaged. During the Working Sessions, participants will receive presentations by experts from Central Asian Member States on specific national project proposals. The Thematic Working Sessions would cover, among others,;
 - Transportation and infrastructure;
 - Trade and Investment Promotion,
 - Agriculture, Agro-business and Rural Infrastructure Development;
 - Tourism, Art, Science and Technology;
- The representative of Kazakhstan is expected to make a presentation on the establishment of new OIC Specialized institution the Islamic Organization for Food Security (IOFS) in Astana, Republic of Kazakhstan.

- *Exhibition of Central Asian Products in the identified sector.* Public and private enterprises in Central Asia would be invited to showcase their products during this Expo session. The objective is to familiarize participants with the investment opportunities in this sub-region.

VIII. PARTICIPANTS:

20. The Forum is expected to be attended by Representatives of OIC Member States, Investment Promotion Agencies of Central Asia, multilateral funding agencies, development cooperation institutions, private sectors and investee member states. The potential participants would include the following:

- Regional Development Banks including Islamic Development Bank, and Asian Development Bank, OPEC Fund for International Development.
- Relevant Regional Commissions and International Partners, such as, UNESCAP, UNDP, UNCTAD, IFAD, FAO, OECD, EU, ECO, D8.
- National Financial Institutions and Development Funds in OIC Member States, such as Qatar Fund, Kuwait Fund, Human Development Fund of Malaysia, Organization for Investment and Economic and Technical Assistance of Iran, Saudi Fund for Development, Turkish International Cooperation and Development Agency (TIKA), Development Bank of Kazakhstan, and Abu Dhabi Fund for Development.
- Public and Private Sectors in Central Asian Member States.
- Major Public and Private Sectors in other OIC Member States.
- Resource Persons: Prf. Murat Cizkca (Author of Islamic Capitalism and Finance: Origin, evolution and Future); and Mohammed Abdul Latif Jameel, President of Abdul Latif Jameel Community Initiatives, among others

IX. VENUE AND DATE:

21. The Forum would be held in Dushanbe, Republic of Tajikistan in 27-28 October 2014. The Forum would span over a period of two days.

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General Secretariat
Organization of Islamic Cooperation (OIC)
07 July 2014**