

FORUM ON DEVELOPMENT STRATEGIC COMMODITIES

IN OIC MEMBER STATES

DRAFT CONCEPT NOTE

Introduction

The development of strategic commodities has been in the forefront of cooperation activities by OIC member states since the adoption of the Plan of Action for Strengthening Economic and Commercial Cooperation among OIC Member States by the Third Islamic Summit held in Makkah Al-Mukaramah in January 1981. Subsequently, The decision to increase intra-OIC trade from its low level of 14.5% in 2005 as encapsulated in the Ten Year Programme of Action adopted in the Third Extra-Ordinary Summit held in Makkah Al-Mukarammah in 2005 has informed the five-pronged strategies, which succeeded in pushing up intra-OIC to the target level of 20% set in 2005. These strategies included measures aimed at promotion, financing and facilitation of intra-OIC trade, development of strategic commodities and industrial capacity-building.

2. Consequently, the OIC Cotton Plan of Action was adopted with two major policy-making and execution mechanisms, namely Steering Committee and Project Committee respectively. This methodology has promoted the subsisting partnership among OIC member states, whereby countries with industrial capacity in the domain of cotton production have successfully partnered with countries, whose cotton industries have fallen into decay.

3. Building on the successful implementation of the OIC Cotton Action Plan as characterized by the approval of 27 cotton projects from 12 countries and 2 OIC institutions, as well as the engaging partnerships based on the activities of the regional Centers of Excellence, the OIC General Secretariat, in collaboration with other relevant OIC institutions, commenced action of the elaboration of a similar Plan of Action for three other strategic commodities, namely: wheat, cassava and rice.

4. Accordingly, the resolution of the 46th session of the OIC Council of Foreign Ministers held in Abu Dhabi on 1-2 March 2019 requested the OIC Secretary General to submit drafts of the OIC Programmes of Action on the Development of Strategic Commodities, in collaboration with IOFS, COMCEC, IsDB and SESRIC to the 8th OIC Ministerial Conference on Agriculture, Rural Development and Food Security, scheduled for Istanbul, Turkey in 2020.

5. On its part, the Second General Assembly of Islamic Organisation for Food Security held in Jeddah, Saudi Arabia on 27-29 August 2019 approved the idea of establishing a Grain Fund with the core target of ensuring food security in its resolution IOFS/GA/1.13-2019. Similarly, the General Assembly adopted Resolution IOFS/GA/1-14-2019 on activating cross-border Business-to-Business cooperation through establishment of Islamic Food Processing Association (IFPA).

6. Pursuant to the foregoing, this Concept Note will dwell on the purpose and objectives of the Forum on Strategic Commodities which is being jointly hosted by the OIC General Secretariat (OIC-GS), the Islamic Development Bank Group (IsDB Group), and the Islamic Organisation for Food Security (IOFS). The Forum will review on-going intra-OIC engagements in the area of developing capacities for production of strategic commodities and tradeable products with the aim of improving intra-OIC trade and food security, among other objectives.

7. The Forum would discuss the following proposed themes:

- (1) The Creation of an IOFS Grain Fund
- (2) OIC Plan of Action on Strategic Commodities (Cassava, Wheat and Rice)
- (3) Islamic Food Processing Association
- (4) Promoting Value-Chain Development of Palm Oil

Rationale

8. Member States of OIC are known to enjoy a considerable array of opportunities for trade and capacity-building in the agricultural sector. With agriculture accounting for the primary economic activity in OIC countries, which is geared towards providing sources of food and nourishment, the need to promote sustainable agricultural production cannot be over-emphasised. The average share of agriculture to GDP in OIC countries remains as high as 10.2%, with higher figures when considered on individual basis.

9. The importance of agriculture for food and socio-economic welfare can also be gleaned from the fact that more than 238 million of OIC population (about 14.1% thereof) are active in agriculture, while more than 51.4% of this population live in rural areas.

10. In addition, the food security situation in OIC countries underscores the need for a strategy for development of strategic agricultural commodities as well as the other programmes slated for discussion during the proposed Forum. Notwithstanding the fact that the world Food Production Index (FPI) is considered in the relevant SESRIC publication to have increased by 25% in 2013 and the fact that OIC member states have also posted comparable increase in food production, food imports by OIC countries have continued to surpass exports therefrom. Accordingly, the food trade deficits of OIC have increased dramatically from US\$ 16 billion in 2000 to US\$79 billion in 2014.

11. Consequently, the attendant effect of this increased spending on food would have a negative effect on public spending, and indeed growth, in the education, health and other social sectors. This phenomenon must have contributed to the statistics, which put 24 OIC member countries among the 54 Low Income Food Deficit Countries (LIFDCs), most of which are in Sub-Saharan Africa. Similarly, the fact that 17 out of the 28 Low Income Food Deficit Countries in OIC countries are currently classified by FAO as “countries in crisis requiring external assistance” calls for drastic cooperation action in this regard.

12. In view of the foregoing, the need for OIC and its numerous institutions to address the perennial challenges of low productivity of the staple food-enhancing and income generating agricultural products is more pressing now than ever. The establishment of Islamic Organisation for Food Security (IOFS) as an OIC specialised institution dedicated to intra-OIC cooperation on food security has now provided an ample opportunity for the implementation of a more realistic framework for the development of strategic commodities and other programmes addressed in this Concept Note.

Participants

13. The Forum is open for participation by:

- OIC member states, including IsDB and IOFS member states;
- Relevant OIC Institutions, including members of the IsDB Group, SESRIC, COMCEC, COMSTECH, ICDT, SMIIC, ICCIA;
- Selected regional and international organisations working in the domain of agriculture and food security;
- Identified Experts of agriculture and food security;
- Private Sector and Community-Based Agricultural Institutions;
- Islamic Finance, and Halal Food Operators.

Structure of the Forum

14. The Forum is scheduled to be held in one of the OIC member states, preferably that which holds a leading position in the production and export of most of the agricultural products itemised above.

15. The Forum would be jointly organized by the OIC General Secretariat, IsDB Group, IOFS and would invite other relevant OIC institutions to deliver papers on the subject of the Forum.

16. The Forum would be conducted in four thematic areas as itemized in paragraph 7 above. Each thematic area will feature two panel discussions dedicated to examining the attached proposals (i.e Road-Map on IOFS Grain Fund, Plan of Action on Strategic Commodities, establishment of Islamic Food Processing Association (IFPA) and promoting value-chain development of Palm-Oil) and proffering recommendations for consideration of OIC decision-makers.

Expected Outcomes

17. Being a gathering of member states and executive institutions, the Forum is expected to deliberate and arrive at the following outcomes:

- Suggest an Action Plan for Development of Strategic Commodities in the identified three sub-sectors, namely: Wheat, Cassava and Rice, based on such pillars as: enhancing productivity and production techniques; strengthening member states' structural capacities and organisations; marketing, trade and international competitiveness and financing, among others;
- Explore the relevance of the various OIC multilateral instruments to the proposed Plan of Action on Strategic Commodities, including the OIC General Agreement on Economic, Technical and Commercial Cooperation, OIC Agreement on Promotion, Protection and Guarantee of Investments, and OIC Framework Agreement on Trade and Preferential System and its protocols;
- Also suggest the structure of Steering and Project Committees, comprising member states and executive institutions respectively;
- Proceed with the validation of the Draft constituent instrument for the establishment of the Islamic Food Processing Association and suggest the convening of the 1st Conference of the Association;
- Suggest the possibility of operating a Grain Fund to act as stabilization fund for exports of grain and food products;
- Consider the relevance of the current financing institutions of IsDB, such as ITFC, ICIEC and ICD in the future operations of the proposed Grain Fund;
- Review current constraints to the value-chain development of Palm-Oil and suggest strategies and intra-IOFS mechanism to address them.

First Draft prepared by

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