

# IsDB REGIONAL COOPERATION AND INTEGRATION (RCI) BASELINE REPORT



# ABBREVIATIONS



## ISDB COUNTRY STRATEGY AND COOPERATION DEPARTMENT

<b>10YS</b>	10-Year Strategy
<b>CSC</b>	Country Strategy and Cooperation Department
<b>GVC</b>	Global Value Chain
<b>ICD</b>	Islamic Corporation for the Development of the Private Sector
<b>ICIEC</b>	Islamic Corporation for the Insurance of Investment and Export Credit
<b>ICT</b>	Information and Communication Technology
<b>IRTI</b>	Islamic Research and Training Institute
<b>ITAP</b>	Investment Promotion Technical Assistance Program
<b>ITFC</b>	International Islamic Trade Finance Corporation
<b>IsDB</b>	Islamic Development Bank
<b>IsDBG</b>	Islamic Development Bank Group
<b>MC</b>	Member Country
<b>MDB</b>	Multilateral Development Bank
<b>MENA</b>	Middle East and North Africa
<b>OIC</b>	Organization of Islamic Cooperation
<b>P5P</b>	President's Five-Year Program
<b>QAE</b>	Quality at Entry
<b>RCI</b>	Regional Cooperation and Integration
<b>RCO</b>	Regional Cooperation Organization
<b>REC</b>	Regional Economic Community
<b>RPG</b>	Regional Public Good
<b>RTA</b>	Regional Trade Agreement
<b>RVC</b>	Regional Value Chain
<b>SEZ</b>	Special Economic Zone
<b>SMEs</b>	Small and medium-sized enterprises

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# GLOSSARY

**Regional cooperation and integration (RCI):** RCI is defined as the process by which countries coordinate, collaborate and invest in order to strengthen integration of their economies to foster economic development, mitigate shared risks and avoid conflicts as well as to assist their neighbours in fragile situations and to preserve common resources.

**Regional project/intervention (single country, multi-country):** RCI interventions generally fall into two main categories; single country projects and multi-country projects. A 'single country' RCI intervention is a commitment and set of actions taken by one country at the national level but within an established or planned inter-country cooperation framework. A 'multi-country' RCI intervention includes formal joint commitments, actions, and resource allocations between at least two countries.

**Cross-Border Connectivity:** There are two broad types - "Hard" cross-border infrastructure that includes improved physical connectivity (cross-border transportation links, ICT connectivity, connectivity for energy transmission) and "Soft" cross-border infrastructure that includes improved coordination between customs and streamlined border procedures, amongst others.

**Investment Climate and Competitiveness:** The policy, regulatory, economic and financial conditions in a country or region that affect whether businesses are willing to lend money and acquire a stake in the businesses operating there. Moreover, it includes Developing economic zones and its services

**Trade and Islamic Finance:** trade and Islamic finance products and services to support operations across a range of RCI activities.

**Regional public goods (RPG)** term refers to goods, services, resources, or system of rules or policy regime that are public in nature are produced and/or consumed collectively and/or have the potential to generate significant shared benefits and positive cross-border spillover effects. They entail, for instance, managing common natural resources, providing assistance to vulnerable people in cross-border fragility, conflicts and violence-prone areas, containing communicable disease outbreaks, and preventing cross-border exploitation.

# INTRODUCTION

Regional cooperation and integration (RCI) has been gaining increased attention as an approach to achieve the goals of sustainable growth and poverty reduction. This heightened interest reflects the recognition that regional projects are advantageous and even necessary, in certain development settings.

Regional projects can, for example, help countries increase their global economic competitiveness by supporting regional infrastructure development and trade facilitation measures. RCI projects can provide neighbouring countries with effective ways of managing shared water resources, securing efficient and reliable sources of energy, reducing environmental pollution, and preventing the spread of communicable diseases. It can also generate cost efficiencies in science and technology development. Finally, regional projects can help address those problems and opportunities—which countries cannot handle efficiently on their own, by building and sharing knowledge, facilitating large-scale investments, harmonizing policies, and integrating services.

"Connectivity" and "Cooperation among MCs" are strategic objectives of the Islamic Development Bank (IsDB). IsDB aims to become a primary connecting platform for cooperation between MCs that reduces the time and cost of cross-border movement of people, goods and services, capital and information. As part of this process, IsDBG aims to achieve a transition from its primary role as a 'provider' to a 'connector' and 'catalyst' of regional cooperation and economic integration among MCs, enabling their economies to benefit from each other's strengths and potentials and to open new doors for wealth creation and poverty reduction.

In line with its 10YS, P5P, IsDB adopted new regional cooperation and integration (RCI) policy and strategy to provide guidance on programming, planning, implementing, supporting and resourcing sector and other thematic-based operations classified under regional cooperation and market integration activities.

The present baseline assessment for RCI operations was conducted as part of the ongoing initiative by Country Strategy and Cooperation Department to support the implementation of the recently approved IsDB RCI Strategy. This baseline report evaluates the Bank's contributions to RCI and serves as a background document and a guideline to support the Bank's effort to improve the effectiveness of its RCI operations. Assessment and identification of projects and initiatives will take place using a specific approach. In short, the objective of the baseline report is to present a panorama of major efforts in promoting RCI, with special attention given to how to improve the effectiveness of the Bank's regional interventions.

# THE OBJECTIVE OF THE BASELINE REPORT IS TO PRESENT A PANORAMA OF MAJOR EFFORTS IN PROMOTING RCI, WITH SPECIAL ATTENTION GIVEN TO HOW TO IMPROVE THE EFFECTIVENESS OF THE BANK'S REGIONAL INTERVENTIONS

The baseline report operates as a supporting document for the implementation of the RCI strategy and the discussion with our partners on strategic approaches to further the effectiveness of RCI initiatives. It is important to mention that selected case studies covered in this baseline report include those studies in which IsDB has already achieved considerable experience, but further improvement can be achieved.

## OBJECTIVES AND SCOPE

The baseline report seeks to provide timely feedback and help guide the evolution of the RCI agenda and supporting initiatives within IsDB. The objectives of this report are:

- Develop baseline data of IsDB regional activities with its classifications. This will ease process of reporting on RCI activities and monitoring of its progress.
- Assess IsDB RCI portfolio to provide guidance that can be used to strengthen the effectiveness of future operations in the context of IsDB's new RCI policy and strategy.

Moreover, this report will be used as a stepping-stone to support the preparation of the Regional action plans, which will guide the Bank's RCI operations at the regional level. In addition, it is expected that lessons learned from the past are fully integrated in the new RCI initiatives and that follow-up measures are already undertaken to address shortcomings and improve effectiveness of IsDB RCI interventions.

This document covers IsDB RCI approved activities between 2015 to 2018 including both mode of financing loans and grants.

## METHODOLOGY<sup>1</sup>

The methodology of developing this report depend on multiple-layer analysis of IsDB RCI operation from classification of overall RCI approved operations to the evaluation of specific RCI projects. This comprehensive approach will ensure the development of proper recommendations that will guide IsDB's RCI interventions on both strategic and operational levels. The RCI data identified, classified and analyzed is based on:

- I. RCI definition (elaborated in the report glossary)
- II. IsDB Regional project/intervention description and main components.
- III. Definitions of RCI strategy typology pillars: Pillar 1: Cross-Border Connectivity; Pillar 2: Investment Climate; Pillar 3: Trade and Islamic Finance; and Pillar 4: Regional Public Goods (See Glossary and Appendix 1 for details).

The multiple-layer analysis approach comprises several study components, including:

- i) Stocktaking of IsDBG RCI projects to map where the IsDBG RCI operations stand on different dimensions, i.e., region, sector, type, mode of finance, single and multi-country operations. This stocktaking will deepen understanding on how IsDB has been performing in regional integration interventions and act as a base to build upon in collecting future RCI information.
- ii) IsDB RCI case studies assessment to inform on how IsDB is designing its RCI interventions and how to improve it. The case studies assessment is based on the following evaluation criteria: regional and country relevance, regional economic spillover benefits, deepen regional and global integration and sustainability of outcomes and activities.
- iii) Based on the above two steps and according to IsDB in-house experts' knowledge, a set of recommendations that is crucial to improve efficiency and effectiveness of RCI future interventions.

## ORGANIZATION OF THE REPORT

The report is organized as follows: Chapter 1 describes IsDB regional activities with its classifications during the period between 2015 to 2018. Chapter 2 highlights on the performance of various IsDBG entities within RCI agenda. Chapter 3 analyzes number of IsDB's loans and grants as case studies. Finally, Chapter 4 provides key recommendations to enhance overall performance of IsDB RCI activities.

<sup>1</sup> Limitations in undertaking the evaluation include:

- i. The baseline report is considered a simple assessment of the impact and value addition of IsDB's RCI work, and it should not be considered a rigorous analysis.
- ii. The report is based on a desk review of IsDB's relevant data during the period 2015 – 2018. The data was analysed and categorized based on knowledge and experiences of IsDB's in-house experts due to absence of an internal updated database dedicated to regional integration.

# IsDB RCI OPERATIONS AND PERFORMANCE

This chapter is aiming at assessing the the Bank's RCI operations and performance over the last 4 years (2015-2018)<sup>2</sup>. The project is classified as an RCI operation when it is aiming to promote RCI as per the project document. In line with the RCI policy, IsDBG operation and performance are classified into 4 categories: (i) Cross-Border Connectivity; (ii) Investment Climate; (iii) Trade and Islamic Finance; and (iv) Regional Public Goods. Moreover, a second level of classification is adopted to differentiate between projects

involving only one country and those involving many countries. This classification is useful as it gives an idea about projects with regional dimension and their share in total IsDB approvals.

As expected and in line with the decrease of overall approval percentage by 78%, RCI approvals declined by 83% over the period 2015-2018 (Table 1). The average yearly RCI approvals share in total approvals is ranging between 24% and 37%. This shows clearly the importance of IsDB RCI operations as it constitutes around quarter of the whole IsDB's operations. Consequently, it is crucial to have harmonized vision and policy to guide the RCI operations of the Bank.

**TABLE 1: IsDB RCI approvals (In Million US\$)**

	2015	2016	2017	2018	GRAND TOTAL
Other approvals	3,288	4,285	3,541	801	11,916
RCI approvals	1,931	1,336	1,169	336	4,772
<b>Total approvals</b>	<b>5,219</b>	<b>5,621</b>	<b>4,710</b>	<b>1,137</b>	<b>16,688</b>

**TABLE 2: RCI finance distributed by sector (2015-2018) (In Million US\$)**

SECTORS	RCI APPROVAL	TOTAL APPROVAL
Agriculture	300	2,352
Education	4	1,346
Energy	1,007	3,724
Finance	385	901
Health	304	1,080
Industry and Mining	130	266
Information and Communications	21	294
Public Administration	1	5
Trade	2	2
Transportation	2,561	4,480
Water, Sanitation & Urban Services	56	2,236
	<b>4,772</b>	<b>16,688</b>

<sup>2</sup> The source of this chapter data is the "Operations Quality & Results Division (OQR)"

## CHAPTER 1



THE TRANSPORTATION AND ENERGY SECTORS HAVE A REAL POTENTIAL TO BE THE MAIN DRIVERS OF REGIONAL INTEGRATION WITH TOTAL APPROVALS OF

**US\$ 2,561 MILLION**

AND

**US\$ 1,007 MILLION**

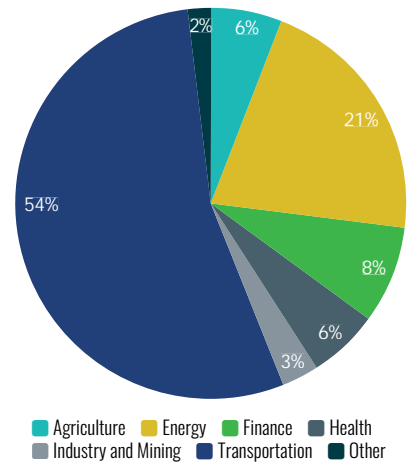
RESPECTIVELY

Roughly, RCI efforts of IsDB have covered almost all concerned sectors (Table 2). In specific, more than 70% of IsDB's finance for RCI during the period 2015-2018 falls under two sectors, i.e., transportation and energy sectors with 54% and 21%, respectively (Figure 1). Finance, Agriculture, Health and Industry represent 8%, 6%, 6% and 3% of total IsDB RCI approvals, respectively. Remaining sectors count for 2% of IsDB RCI finance. The focus on transportation sector is explained by the role played by regional physical connectivity in promoting trade and investment.

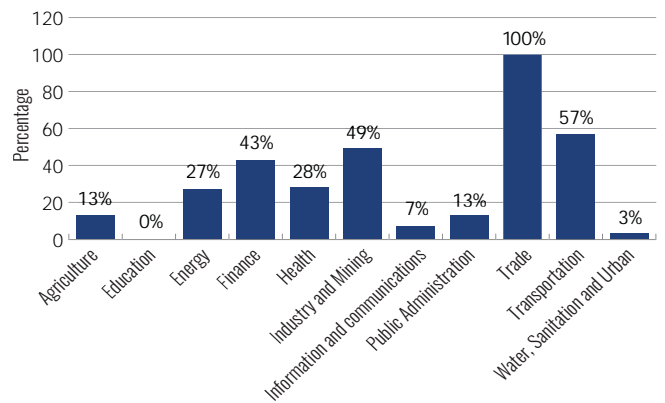
In terms of the contribution of IsDB operations to RCI, all trade projects are classified as part of RCI operations (Figure 2). Transportation, Industry and mining, Finance, Health and Energy sectors projects have significant RCI components averaging 57%, 49%, 43%, 28% and 27% of the total approvals, respectively. The Transportation and Energy sectors have a real potential to be the main drivers of regional integration with total approvals of US\$2,561 million and US\$1,007 million, respectively. Information and communication sector have very low RCI contribution of about 7%, although the sector is considered as important area in promoting local, regional and global linkages. Water and education projects have the lowest RCI contribution.

The top RCI subsectors are roads and highway, energy sector development, representing about 64% of total RCI finance (Figure 3). This shows the vital role given by the Bank to infrastructure investment in promoting regional integration among IsDB MCs.

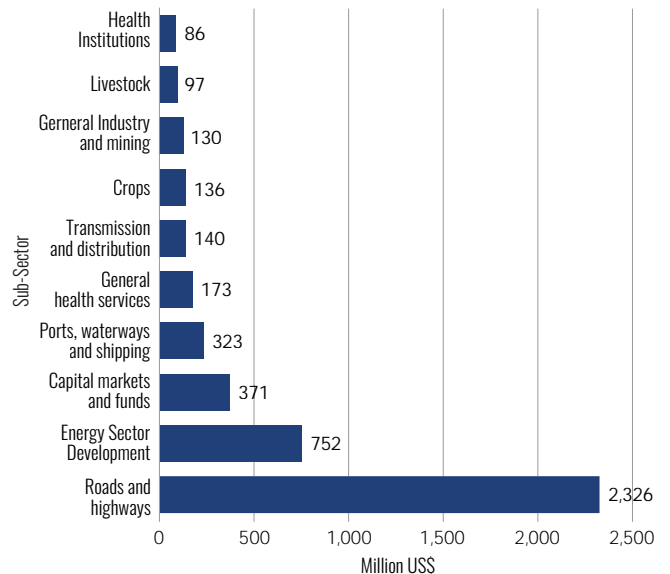
**FIGURE 1: RCI finance distributed by sector**



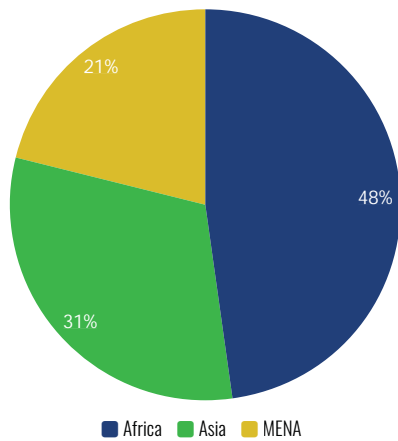
**FIGURE 2: Percentage of RCI Finance for each Sector**



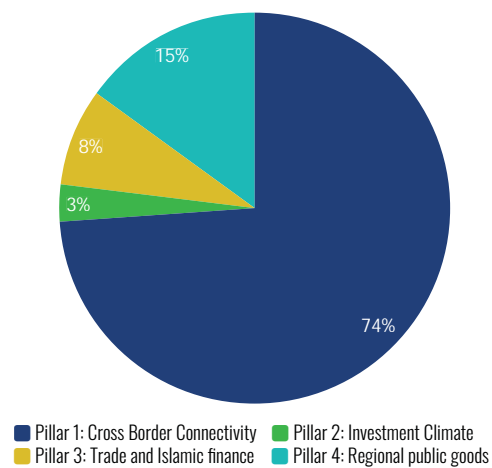
**FIGURE 3: Top RCI finance by Sub-sector**



**FIGURE 4: RCI finance per region**



**FIGURE 5: RCI finance by typology**



## RCI FINANCE PER REGION

Africa region dominates RCI finance approvals with 48% of total, followed by Asia and MENA regions with 31% and 21%, respectively (Figure 4). During 2015 to 2018, IsDB approvals for RCI projects were dedicated to Africa region was around US\$2.3 billion, to Asia with US\$1.4 billion and MENA with US\$1.0 billion. IsDB large interventions in Africa is justified by the huge untapped development potential that African continent possess. Also, close proximity of MCs in the Africa region partly explains the financing trend.

## RCI FINANCE BY RCI POLICY PILLARS<sup>3</sup>

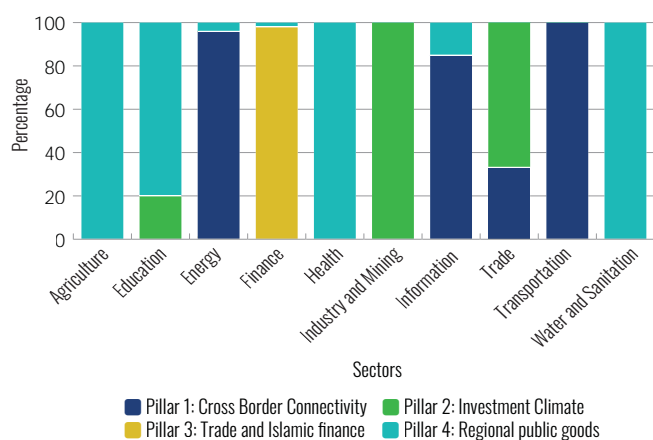
The RCI finance allocated for cross border connectivity is about 74% of total IsDB’s RCI finance with about US\$3.5 billion, followed by regional public goods (RPGs) with US\$722 million (Figure 5). Trade and Islamic Finance and investment climate represent 8% (US\$374 million) and 3% (US\$ 137 million) of total RCI finance, respectively.

More than 99% (about US\$300 million) of RCI finance for agriculture sector projects are classified under RPGs (Figure 6). The same applies to health and water sector as 100% of their RCI falls under Regional Public Goods category. RCI finance directed to transportation and energy sectors falls under Cross Border Connectivity with 100% and 95%, respectively. All Industry and mining RCI finance is classified under Investment Climate pillar. The finance sector RCI projects is around US\$385 million where 97% is categorized under Trade and Islamic Finance pillar.

**TABLE 3: RCI finance by sector typology (In million US\$)**

	PILLAR 1: CROSS BORDER CONNECTIVITY	PILLAR 2: INVESTMENT CLIMATE	PILLAR 3: TRADE AND ISLAMIC FINANCE	PILLAR 4: REGIONAL PUBLIC GOODS
Agriculture	1	1	0	300
Education	0	1	0	4
Energy	960	1	0	45
Finance	0	2	374	9
Health	0	0	0	305
Industry and Mining	0	130	0	0
Information and Communications	17	0	0	3
Trade	1	2	0	0
Transportation	2560	0	0	0
Water, Sanitation & Urban Services	0	0	0	56
<b>Grand Total</b>	<b>3539</b>	<b>137</b>	<b>374</b>	<b>722</b>

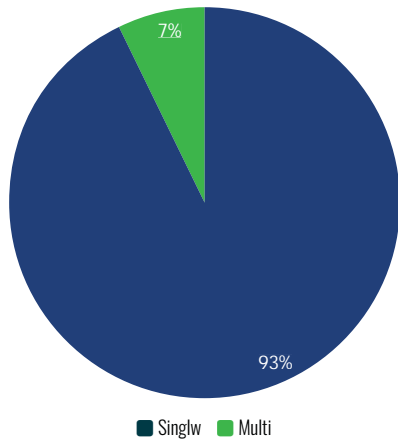
**FIGURE 6: RCI finance by sector typology**



<sup>3</sup> For more elaboration on RCI typology pillars, please refer to the glossary and appendix (1).



**FIGURE 7: Single vs Multi Country RCI Operations**



## SINGLE VS MULTI COUNTRY RCI OPERATIONS

RCI loan and grant approvals between 2015–2018 were primarily used for single country operations. About 93% of the total amount of RCI loans and grants went to single country projects, while only 7% went to multi-country projects (Figure 7). Single country projects were qualified as RCI projects if their benefits were considered to spill over beyond the country to the other MCs and support RCI activities. However, the prevalence of these projects indicates there are too many RCI projects being justified on the basis of regional spillover and there are not enough pure regional projects.

**TABLE 4: RCI modes of finance (In million US\$)**

MODES OF FINANCE	GRANTS	LOANS	TOTAL
Grand Total	53	4,719	4,772
Transportation	3	2,558	2,561
Energy	2	1,005	1,007
Finance	15	371	385
Agriculture	6	294	300
Health	14	291	304
Industry and Mining	0	130	130
Water, Sanitation & Urban Services	2	54	56
Information and Communications	4	17	21
Education	4	0	4
<b>Public Administration</b>	<b>1</b>	<b>0</b>	<b>1</b>
<b>Trade</b>	<b>2</b>	<b>0</b>	<b>2</b>

## RCI MODES OF FINANCE

The RCI grants represents 47% of total IsDB grants in the period between 2015 to 2018. Health and finance sectors are the dominant of IsDB’s grants financing as they both represent about 55% of total RCI grants (Table 4). On other hand, the transportation and energy sectors represent around 75% of RCI loans (projects) financing. There’s a need to have the RCI grant financing sectors aligned with targeted RCI loans (projects) finance as grants scheme can play an important role in financing soft interventions that’s not included in IsDB’s projects scope. The availability of effective RCI soft interventions in the same priority sectors of IsDB RCI projects will ensure the successful implementation of IsDB RCI policy and facilitate the achieving of its objective.

**THE AVAILABILITY OF EFFECTIVE RCI SOFT INTERVENTIONS IN THE SAME PRIORITY SECTORS OF ISDB RCI PROJECTS WILL ENSURE THE SUCCESSFUL IMPLEMENTATION OF ISDB RCI POLICY AND FACILITATE THE ACHIEVING OF ITS OBJECTIVE.**



# CHAPTER 2

# RCI OPERATIONS OF ISDBG ENTITIES

The RCI Policy strives to improve and strengthen planning and operational coordination and cooperation across individual entities of the IsDB Group. The “One IsDBG” approach is used as a guidance to consolidate and strengthen the Group’s engagement with its stakeholders, improve cost-effective use of resources, and achieve better performance by linking existing RCI activities of various IsDBG entities in compliance with their respective mandates as ICD, ICIEC and ITFC have mandates for supporting trade and investment for development.

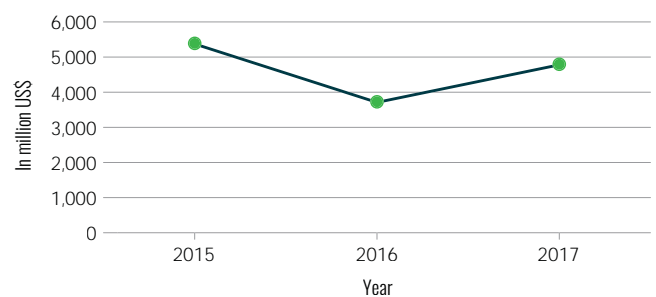
This chapter aims to have an overview on Bank entities operations in the period between 2015 to 2017<sup>4</sup> (the year 2018 was excluded due to unavailability of full year data) and to understand their past RCI contributions. This will support the identification of potential areas of joint actions between IsDBG entities in favour of maximizing output of IsDBG RCI interventions.

## THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION (ITFC)

The ITFC was created with the purpose of advancing trade to improve the economic conditions and livelihood of people across the Islamic world. ITFC has consolidated all the trade finance businesses that used to be handled by various windows within the IsDBG. Accordingly, all operations of ITFC supports businesses in MCs gain better access to trade finance and provides them with trade-related capacity building tools to help them compete successfully in the regional and global markets.

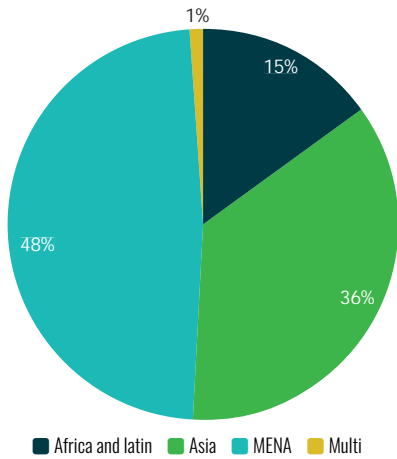
### THIS CHAPTER AIMS TO HAVE AN OVERVIEW ON BANK ENTITIES OPERATIONS IN THE PERIOD BETWEEN 2015 TO 2017

FIGURE 8: ITFC MCs Approvals 2015 -2017



<sup>4</sup> The source of data used in this chapter is the “Economic Research & Institutional Learning Department (ERIL)”

**FIGURE 9: ITFC MCs Approvals by region 2015 -2017**

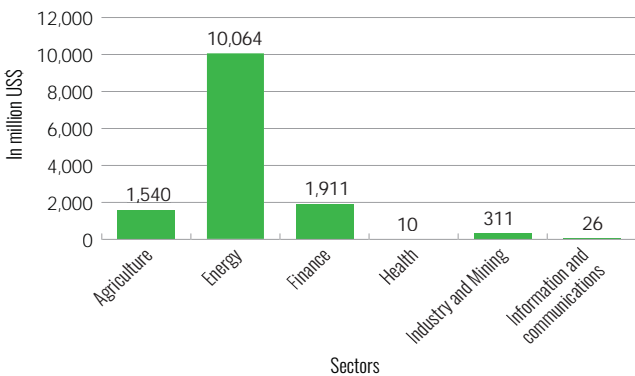


ITFC MCs approvals values decreased from 2015 to 2017 by about 11% to reach US\$4,779 million. Four MCs, namely Egypt, Pakistan, Bangladesh and Turkey represent 71% of total approvals. This shows the need for expanding ITFC operations to cover more MCs as ITFC play a vital role in the success of RCI among ISDBG MCs.

During 2015 to 2017, the total ITFC approvals was primarily focused in MENA region with US\$6,682 million, followed by Asia region with US\$5,015 million and Africa & Latin America region with US\$2,006 million (Figure 9). The ITFC interventions in Africa region is limited and its essential to be revamped to ensure the full utilization of RCI in the African continent especially after concluding the African Continental Free Trade Agreement (AfCFTA).

The ITFC approvals in energy sector is around US\$10,064 million, representing 73% of its total approvals (Figure 10). This is justified with MCs' high imports of crude oil & petroleum products. The Industry and Mining sector represent only 2% of ITFC approval which is not consistent with current direction of ISDBG to boost regional integrations in global value chains based on MCs competitive advantage in various industrial sectors.

**FIGURE 10: Itfc approvals by sector 2015 - 2017**



THE DEVELOPMENT OF ICD RCI APPROVALS BETWEEN 2015 TO 2017 SHOWS THAT THE RCI APPROVALS INCREASED BY

**219%**

FROM

**US\$ 40 MILLION**

IN 2015 TO

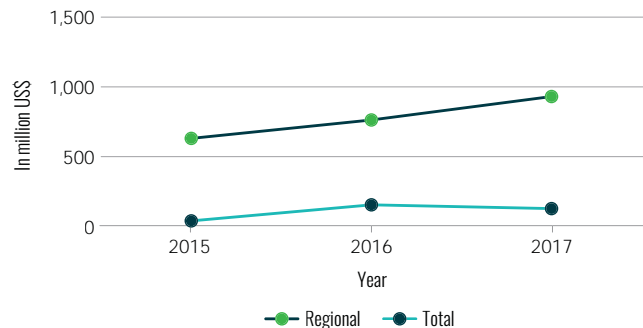
**US\$ 128 MILLION**

IN 2017

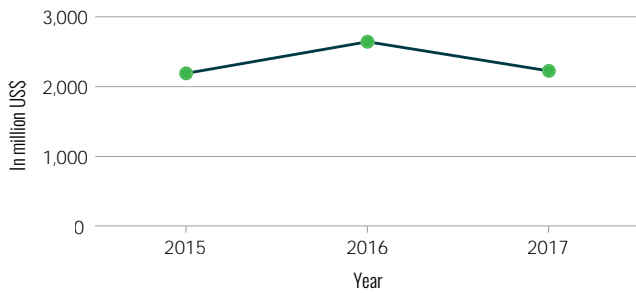
## THE ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR (ICD)

The ICD fosters development of the private sector in MCs by financing investment projects, improving investment eco-system and promoting cross-border investments. The development of ICD RCI approvals between 2015 to 2017 shows that the RCI approvals increased by 219% from US\$40 million in 2015 to US\$128 million in 2017 (Figure 11). This huge increase in ICD RCI approvals is an evidence of increased focus on regional dimension as the increase of total ICD approvals in the same period (between 2015 to 2017) didn't even exceed 50%. Despite significant increase in ICD RCI operations, it still represents very small share of 14% in total operations. It should be noted that almost 100% of ICD RCI approvals falls under the Finance sector.

**FIGURE 11: ICD RCI Approvals 2015 - 2017**



**FIGURE 12: ICIEC MCs New Insurance Commitment 2015 -2017**



## THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT (ICIEC)

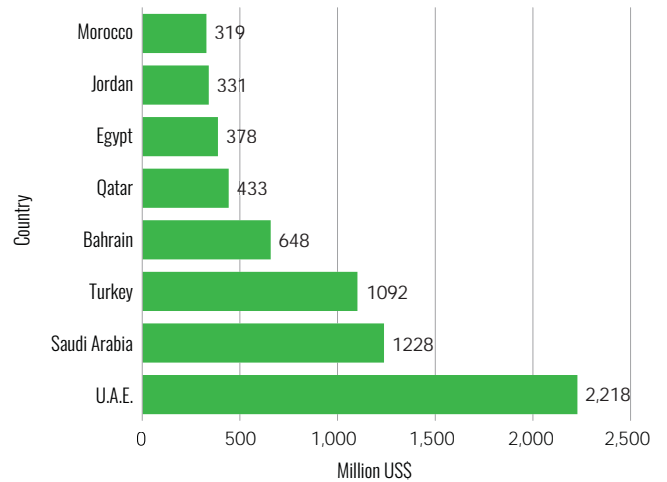
ICIEC provides investment and export credit insurance for MCs. ICIEC enables the business community of MCs to offer their overseas customers more flexible payment options - without exposing themselves to non-payment and political risks. ICIEC operations provides a safeguard to facilitate expansion of investments and exports among our MCs.

ICIEC MCs new insurance commitment between 2015 to 2017 was about US\$7,060 million. The value of new insurance commitment ranged between US\$2,643 million in 2016 and US\$2,191 million in 2015 (Figure 12). This is an indicator that yearly new insurance commitments to our MCs didn't have much variation during the period n 2015-2017.

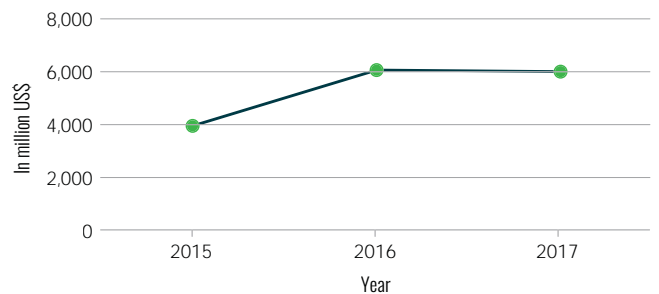
During 2015 to 2017, the UAE benefited the most from ICIEC operations by US\$2,218 million, followed by Saudi Arabia and Turkey with US\$1,228 million and US\$1,092 million, respectively (Figure 13). The MENA region represents nearly 95% of ICIEC MCs new commitment.

ICIEC business insured increased by 52% between 2015 and 2017 to reach US\$6,005 million. The top MCs had business insured are UAE, Saudi Arabia, Turkey, Bahrain and Qatar. The total value of MCs business insured by ICIEC between 2015 to 2017 is around US\$16,025 million.

**FIGURE 13: ICIEC New Insurance Commitment Top MCs 2015 - 2017**



**FIGURE 14: ICIEC MCs Business Insured 2015 - 2017**



## ICIEC OPERATIONS PROVIDES A SAFEGUARD TO FACILITATE EXPANSION OF INVESTMENTS AND EXPORTS AMONG OUR MCs



CHAPTER 3



# IsDB RCI CASE STUDIES



This chapter aims to showcase and analyse IsDB's experience in RCI projects. This analysis will help in improving effectiveness of future IsDB RCI projects design through building on strengths from past operations and avoiding shortcomings.

This chapter concludes a Quality at Entry (QAE) review of selected IsDB RCI projects. The QAE assessment will be through a detailed qualitative analysis of project documents on the following main dimensions: regional relevance & country readiness, expected net regional economic spill-overs, expected net regional economic spill-overs and sustainability. The evaluation framework is in Appendix (2).

**TABLE 5**

The projects RCI QAE rating framework will be as follows:

RELEVANCE	SATISFACTION
<b>The project is classified as highly relevant</b> , if it has very clear RCI impact or regional spill-over	<b>Highly satisfactory</b> (Project design is fully aligned with RCI requirements with no or very limited comments)
<b>The project is classified as Relevant</b> if it has limited RCI impact or regional spill-over)	<b>Satisfactory</b> (Project design is partially aligned with RCI requirements with some comments to improve design)
<b>Irrelevant</b> (Project with no RCI impact or regional spill-over)	<b>Unsatisfactory</b> (The project design ignored or has limited alignment with RCI requirements)

**TABLE 6**

The list of IsDB case studies was selected to be a representative sample of different IsDB RCI interventions, taking into consideration the following aspects: (i) various RCI sectors (e.g., transportation and energy); (ii) single and multi-country projects; (iii) regional diversity; and (iv) different modes of finance (loans and grants). The list of projects is as follows:

PROJECT NAME	COUNTRY	SECTOR	MODE OF FINANCE	APPROVAL YEAR
Central Asia South Asia Electricity Transmission and Trade (CASA-1000)	Pakistan	Energy	Loans	2015
	Afghanistan			
	Kyrgyz			
	Tajikistan			
Regional Submarine Telecommunications	Djibouti	Information & Communication	Loans	2015
Reconstruction of Regional Roads (Ndioum – Thilogne and Diallocotto – Mako)	Senegal	Transportation	Loans	2015
Rural Electrification Project through Renewal Energy under Reverse Linkage	Niger	Energy	loans	2017
LLF-Regional Rice Value Chain Development Program (RRVCDP)	Guinea	Agriculture	Loans & grants	2018
	Senegal			
	Sierra Leone			
	Gambia			
	Niger			
Technical Assistance Program for Regional and Global Integration (TAP)	Regional	Multi	Grants	Ongoing
Investment Promotion Technical Assistance Program (ITAP)	Regional	Multi	Grants	Ongoing

# 1 CENTRAL ASIA SOUTH ASIA ELECTRICITY TRANSMISSION AND TRADE PROJECT (CASA-1000)

The project aims at meeting the electricity demand in Afghanistan and Pakistan through the establishment of cross border energy exchange among four-member countries as part of regional economic integration initiative. The exchange will be utilizing efficient and environmentally friendly indigenous hydropower resources of Tajikistan and Kyrgyzstan. The project will provide sustainable, reliable and affordable electricity to Pakistan and Afghanistan while boosting foreign currency earning for Tajikistan and Kyrgyzstan through monetization of their seasonal surplus hydropower resources. It will include construction of 500 kV high voltage overhead transmission line connecting Kyrgyzstan, Tajikistan, Afghanistan and Pakistan.

## RCI ANALYSIS

The project is highly relevant, and the RCI quality-at-entry is satisfactory. The project is well designed at regional level as it offers a “win-win” proposition, with its economic viability derived from exploiting a currently missed opportunity for regional energy trade and in supplying clean electricity during summer peak demand.

The project design included developing an inter-governmental agreement and council between four countries to ensure countries commitment, proper coordination and implementation of project activities. Furthermore, by establishing a third-party open access regime, the parent project could enable other countries within the region to avail of unutilized transmission capacity to be part of CASA-1000 electricity market which shows carefully the benefits for each of participating countries, in addition to regional spill-over effect of having a direct regional energy connectivity.

The project took into consideration many kinds of regional risks i.e., minimizing security risks through developing security management plan within four countries in addition to supporting surrounding local communities as they will be the main safeguard of project activities. One of the main strengths of the project is that it is based on an international developers’ partnership between World Bank Group, United States Agency for International Development, US State Department, United Kingdom Department for International Development, Australian Agency for International Development, and other donor communities.

The project design didn’t describe clearly the regional context within Central Asian Region and project categorization under the agenda of regional integration focusing on energy sector. Although the project addressed the implementation capabilities as a risk that will be mitigated through capacity building of executing agencies, there was no emphasis on status of governmental agencies and whether the capacity building will be enough to ensure proper implementation or there might be a need of restructuring such agencies.

The project sustainability is perceived to be endangered by a weak executing agency. Also, there’s no clear regional umbrella for the project that can encourage and support enrolment of other countries within the region to benefit from third-party open access regime. For minimizing risks, the political economy of the countries needs to be elaborated, and identification of actions is needed to harmonize countries policies especially in energy sector.

There was mentioning of other regional energy trade initiatives with no emphasis on how they correlate or conflict with the project activities and if there’s coordination measures to be taken in favour of maximizing benefits from all regional energy projects. The project has a good result and monitoring framework, but with no consideration on information accuracy and availability, especially on regional level as the four implementing countries have lowest ranks in Corruption Perception Index 2015 (between 117 to 166 among 167 countries).

**FIGURE 15: Cross border energy: CASA-1000**

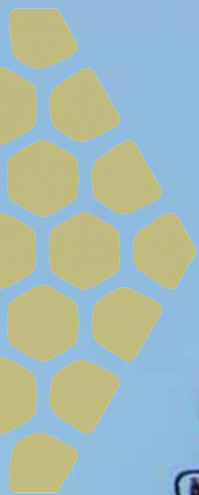


**THE PROJECT INCLUDES CONSTRUCTION OF 500 KV HIGH VOLTAGE OVERHEAD TRANSMISSION LINE CONNECTING KYRGYZSTAN, TAJIKISTAN, AFGHANISTAN AND PAKISTAN**











## 2 REGIONAL SUBMARINE TELECOMMUNICATIONS PROJECT

The objective of the project is to contribute to socio economic development of Republic of Djibouti by providing efficient and reliable Information & Communication Technology Services. The specific objective of the project is to meet the growing demand of international voice and data communication by connecting Djibouti to South East Asia – Middle East – Western Europe-5 (SEA-ME-WE-5 or SMW-5) submarine cable system. The new cable will allow an additional capacity of 500 Gbps (from 35 Gbps in 2014).

### RCI ANALYSIS

Although the project is highly relevant, but the RCI quality-at-entry is unsatisfactory. The project design focused only on national level impact especially the positive impact of covering Djibouti telecommunications demand in the next 20 years. The project complements the Bank's intervention in the sector as the Bank is already financing the core and branch part for Bangladesh's connection in the SMW-5 submarine cable system (The SMW-5 submarine cable system involves 8 IsDB member countries with a possibility of more countries to join. Therefore, the involvement of IsDB in the proposed project is of immense importance that has impact on several regions of the world from Asia to Europe).

Djibouti Telecom (the executing agency) was referred to as the international carrier with the strongest presence in Eastern Africa, but there was no elaboration on its capabilities and its readiness to pursue the plans of further regional integration.

Although there's a regional relevance of project activities as it supports boosting Information & Communication Technology connectivity in Eastern Africa, the project design didn't take into consideration any regional spillover impact. It was mentioned that Djibouti plans to develop its role as a regional 'ICT hub' offering its neighbours and partners (especially Ethiopia, Somalia and Eritrea) the opportunity to have telecommunication access. This plan was with no clarification on needs of Eastern African countries and how the current project activities will compliment this regional vision. The consideration of the regional pillar might enlarge and enrich project's components which could attract other developers and impact positively on Djibouti and the whole region.

# 3 RECONSTRUCTION OF REGIONAL ROADS (NDIOUM – THILOGNE AND DIALLOCOTTO – MAKO)

The main objective of the project is to construct 2 sections of road: (i) to offer a competitive and safe connection between Senegal and Mali, Burkina Faso, Chad and Guinea; (ii) to facilitate accessibility of the northern areas of the country to international routes; (iii) to provide a link between Northwest, East and South of Senegal; and (iv) to facilitate the interconnection of Dakar-Bamako and Dakar-Tanger corridors. The total estimated project cost is €118.85 million of which IDB's contribution is €97.88 (82%). The West African Development Bank will provide €15.57 million (13.0%) and Government of Senegal (GOS) will provide the remaining €5.4 million (5%).

## RCI ANALYSIS

The project is highly relevant, but the RCI quality-at-entry is unsatisfactory. It responded to the national and regional needs and was aligned with the Bank's strategy to support regional integration through development of transport infrastructure to improve regional connectivity and boost intra-regional trade. The project design emphasized only on national context especially the Government of Senegal "New Transport Sector Policy".

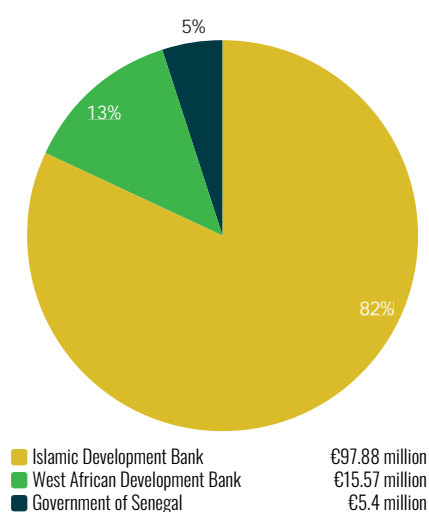
There was limited consideration of regional context of project activities, although the project aims to increase the use of port of Dakar for external trade by Mali, Burkina Faso, Niger and Mauritania by 15%.

Project design didn't provide any picture on the existing trade flows and trade barriers to establish a more solid commercial rationale. Furthermore, the project targets to increase intraregional trade flows wasn't validated with any data about regional production and trade patterns in the participating countries. Full attainment of the project's regional integration objective depends on the availability of soft components (e.g. improvement of custom facilities, and the introduction of harmonised procedures across border) which was not reflected in project design. Senegal and most of other beneficial countries are part of the Economic Community of West African States (ECOWAS) which should be the regional umbrella for trade integration.

The project results and monitoring framework didn't include regional levels indicators; accordingly, the project can't demonstrate the achievement of the expected socio-economic and regional integration effects.

The sustainability of the project is not only about maintenance, overload control and accidents, it is also dependent at continuous flow of income which is usually generated through smooth flow of goods and services on the developed roads from neighbouring countries resulting from effective intra-regional integration. Development impacts such as increased cross-border trade and increased tourism are not elaborated.

FIGURE 16: Project contributions



THE TOTAL ESTIMATED PROJECT COST IS

**€118.85 MILLION**

THE PROJECT AIMS TO INCREASE THE USER OF THE PORT OF DAKAR FOR EXTERNAL TRADE BY MALI, BURKINA FASO, NIGER AND MAURITANIA BY

**15%**











# 4 RURAL ELECTRIFICATION PROJECT THROUGH RENEWABLE ENERGY UNDER REVERSE LINKAGE



The project aims to support Niger in addressing the critical issues of lack of electricity in rural areas by contributing to increase the electricity access rate, currently estimated at 11% countrywide and less than 1% in rural areas. The project comprises the realization of three solar power plants totalling a capacity of 9.3 MWp, the associated distribution network and 17,500 consumers' connections using prepaid meters. The project was formulated by using the IsDB Reverse Linkage approach which will ensure capacity development and knowledge transfer from National Office for Electricity and Potable Water of Morocco (ONEE) to Niger National Agency for the Promotion of Rural Electrification (ANPER, the Executing Agency) and other local teams on designing, managing and maintaining rural electrification infrastructure.

## RCI ANALYSIS

The project is highly relevant, and the RCI quality-at-entry is unsatisfactory. As one of the countries having the lowest access rate in Africa, access to electricity in Niger remains challenged by the low density of its population. The project is well aligned with the Strategy Document of Niger for Access to Electricity for the period 2017-2035 that aims to achieve an access rate of 80% by 2035 (79% in rural areas) and with the IsDB's 10-year strategic Pillars related to 'Economic and Social infrastructure', 'Social Development', and 'Cooperation between Member Countries'.

Furthermore, one of the pillars of the Member Country Partnership Strategy (MCPS) for Morocco is to capitalize on Moroccan development experience, knowledge and expertise in rural electrification to support other IsDB member countries.

The project has incorporated the following lessons in the design: gaps identification (diagnosis), feasibility study prepared by ONEE with ANPER and the inclusion of a capacity development component to strengthen the capacity of the executing agencies and allow smooth implementation of the project by adopting the Reverse Linkage approach. This capacity building is only directed to the existing ANPER PMU which has been appointed to coordinate all the projects in the sector. The project activities differ totally from usual work of

implementing agency. Thus, for ensuring the sustainability of this kind of interventions, it is preferred to be executed by a special purpose company that will be more flexible and independent from control of inefficient governmental agency.

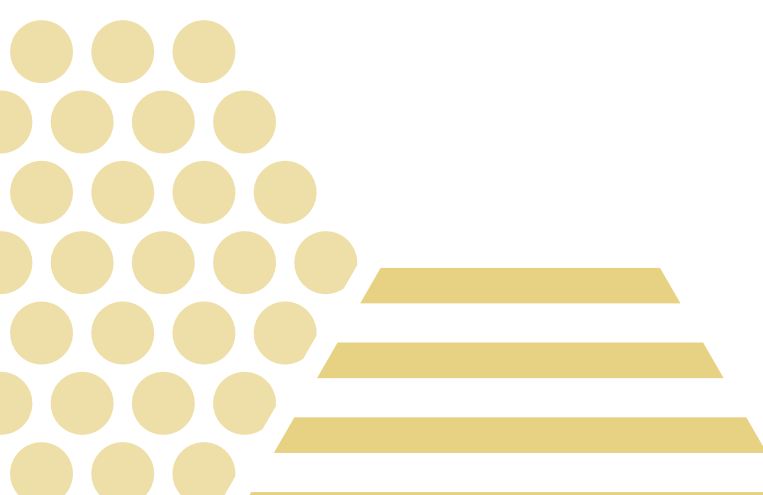
Although, almost all major traditional MDBs are present in the electricity sector to help the Government increase the access rate, the project design ignored to emphasize more on the MDBs activities and where's the area of collaboration and accumulation with their projects.

This is not an orthodox physical integration RCI project type, but it is based on exchanging knowledge and technical experience. This kind of projects needs to incorporate the RCI spillover on both the provider and the recipient of technical assistance. The project design focused on benefits realized by the Niger rural areas (recipient), on contrary the Moroccan side gains are not found accordingly. This can devastate the prospect program approach to support the replication of this model in other IsDB member countries. There must be part of the project design that clarifies how the project will benefit the provider of technical assistance on various pillars politically and economically. Moreover, the project should support the development of this competitive edge at the side of technical assistance provider in this case Morocco represented by ONEE.

The project lacks to build a strong long-term knowledge institutional partnership between ONEE and ANPER that can ensure the sustainability of collaboration even after finalizing of project implementation.

THE PROJECT COMPRISES THE REALISATION OF

**3 SOLAR PLANTS**  
TOTTALLING A CAPACITY OF  
**9.3MWp**  
CONNECTING  
**17,500 CONSUMERS**



# 5 LLF-REGIONAL RICE VALUE CHAIN DEVELOPMENT PROGRAM (RRVCDP)

The President of IsDB announced at the 43rd Annual Meeting of IsDB Board of Governors at Tunis in April 2018, that the Bank will support financing of a Regional Rice Value Chain Program (RRVCP) for ten-countries over the period 2018-2019. The program is split in two groups. "Group 1" include Gambia, Guinea, Niger, Senegal, and Sierra Leone and got approval in 2018. The main objective of the project is to contribute to reducing high importation rate of rice and enhance economic growth through improved production and productivity in a sustainable manner, processing, and marketing. The project will also increase vertical and horizontal production by adding new irrigated areas to the existing productive ones and by introducing an array of institutional and technical interventions to increase productivity.

## RCI ANALYSIS

The project is highly relevant, and the RCI quality-at-entry is highly satisfactory. The project design is based on supporting the 5 countries (Group 1) to achieve their national rice production and commercialization strategies to enhance the self-sufficiency and reduce rice imports significantly. The National Rice Development Strategy (NRDS) of the beneficiary countries were developed in the context of Comprehensive Africa Agriculture Development Program (CAADP) and Coalition for African Rice Development (CARD). These strategies are part of both a collective effort of African countries and the international development community to help protecting and expanding rice on behalf of more than 80 million people living in the Sub-Saharan Africa (SSA) region who rely on it as a major source of food and livelihoods.

Agriculture in Africa has reached a critical mass that requires concerted efforts from the governments and private sector and the high expectations from the sector to ensure food and nutritional security and grow the economies of the continent. The SSA region accounts for more than 950 million people, approximately 13% of the global population. The project is designed respond to the growing demand of rice in the target countries of the project and to reduce gap between demand and supplies from local production as it is balanced in all the counties by imports generally from outside Africa.

The project applies the RCI concept of "operationalizing as one group" through the involvement of IsDB Group entities in the design and in the implementation of the project. For instance, ICD will be engaged in developing line of financing with the local banks, private sector companies that may require significant financing for both working and capital items.

The project incorporated several financiers beside the IsDBG including the African Development Bank (AfDB), Arab Bank for Economic Development in Africa (BADEA) and the Swiss Development Cooperation (SDC). This consortium of developers ensures the proper design of project activities and realization of maximum benefits and mitigating potential risks.

The project is implemented through a partnership arrangement between farmers' organization, SMEs, national agricultural research institution (IRAG), Technical partners (UNDP, AfricaRice, MANOBI, IFDC), and policy makers (Ministries of Agriculture/Commerce). This prominent partnership arrangement strengthens and promotes collaboration between these various partners at national and regional levels and facilitate development and transfer of appropriate technologies to end beneficiaries.

The project management incorporated the national dimension through the establishment of the National Steering Committee (NSC) that provide oversight and policy support. The regional dimension was also covered through the regional Steering Committee which was set up to oversee the overall implementation of the project and to facilitate regional cooperation among the beneficiary countries. Furthermore, the regional spill over of the project will be realized by the establishment of the regional knowledge platform which will facilitate learning, exchange of information and knowledge as well as policy coordination among the program's participating countries.

The project sustainability was ensured by strong stakeholder engagement; capacity building of implementing agencies and knowledge transfer platform. Furthermore, The Value Chain approach adopted during the project design and envisioned to be extended during the implementation phase will enhance the ownership of project's activities and realizations by the main stakeholders ensuring its sustainability. This market driven approach will ensure a sustainable revenue streams especially for the targeted smallholder farmers, and thus the sustainability of the whole project after the completion of the implementation.

The success of value chain approach will be ensured through the development of farmer-market linkages. ICT based solutions that will accelerate outcomes of agricultural value chains that target smallholder farmers. The tools that combine remote sensing and geo-spatial mapping at scale allow for real time connectivity of the partners in the value chain.

The only limited reservation on the project design is that monitoring and evaluation framework didn't reflect the regional dimension of the project especially the regional knowledge sharing platform.





# 6 TECHNICAL ASSISTANCE PROGRAM FOR REGIONAL AND GLOBAL TRADE INTEGRATION (TAP)

The IsDB's WTO-related Technical Assistance and Capacity Building Program (WTO-Program) was launched in 1997 with the prime objective of helping its member countries upgrade their human and institutional capacities to adjust to the new multilateral trading system. The aim of the Program is to provide greater awareness to the OIC member countries on WTO Agreements and their implementation and facilitate the process of their accession to the WTO. It also serves as a forum where relevant officials from member countries can exchange views and discuss various multilateral trade matters.

## RCI ANALYSIS

The TAP is crucial in the implementation of the IsDB's RCI policy and strategy as it boosts the connectivity of MCs among themselves and with the whole world through ensuring a proper understanding of multilateral trading system and how to maximize the benefit from accession to such a trading system.

There's a need to capitalize on the long experience that IsDBG acquired from implementing the TAP especially the strong and successful partnerships established at national, regional and international levels.

With the new RCI policy and strategy, the TAP needs to build a new independent agenda that is based on rigorous analysis of regional integration status at different IsDB's operational regions based on request of MCs and partnering organization. This agenda must be fully aligned with the current and future approved RCI projects especially those have a connectivity. This alignment will empower the implementation of the regional projects and will reflect a harmonized positive image on IsDB's regional interventions. In the context of new scope of work, there's a need for reconsideration of human and financial resources allocated for TAP.

**TAP NEEDS TO BUILD A NEW INDEPENDENT AGENDA THAT IS BASED ON RIGOROUS ANALYSIS OF REGIONAL INTEGRATION STATUS AT DIFFERENT ISDB'S OPERATIONAL REGIONS BASED ON REQUEST OF MCs AND PARTNERING ORGANIZATION**







## 7 INVESTMENT PROMOTION TECHNICAL ASSISTANCE PROGRAM (ITAP)



The Investment Promotion Technical Assistance Program (ITAP) of IsDB was established in 2005, offering technical assistance and capacity building services to investment promotion agencies of IsDB MCs to support their effort in attracting domestic and foreign direct investment to their respective countries.

### RCI ANALYSIS

A very limited finance of US\$137 million is allocated for Investment climate pillar, accounting for 3% of total RCI approvals, although regional FDI is a main indicator for measuring success of IsDB's RCI strategy.

The ITAP can play an important role in boosting the IsDB's performance under "Investment climate pillar" thus improving intra-OIC investment. This can be achieved by widening ITAP scope and not to be limited to supporting promotion agencies only as this support can't ensure a proper policies and procedures that improve investment climate. The new scope can include but not limited to the following: support the development of updated policies; harmonize investment policies and regulations across IsDB's MCs; and support the establishment of information sharing platform to ease decision making process for current and prospect investors.

The ITAP interventions should be guided with the performance of MCs at World Bank "Doing Business Report" and World Economic Forum "Competitiveness index", indicators giving an overview on overall business climate in countries and the degree of attractiveness to potential investors.

This reform of ITAP strategy will require reconsideration of human and financial resources allocated for the program. Furthermore, all ITAP activities should be aligned IsDB's current and future approved RCI projects.

**THE REFORM OF ITAP STRATEGY  
WILL REQUIRE CONSIDERABLE  
HUMAN AND FINANCIAL  
RESOURCES ALLOCATED FOR  
THE PROGRAM**

# RECOMMENDATIONS

## INSTITUTIONAL LEVEL

This chapter aims to capture main strengths and shortcomings from IsDB's past RCI operations, and to help in developing a set of recommendations to improve the implementation effectiveness of RCI policy and strategy on 3 different levels:

- 1 Institutional
- 2 Regional plans
- 3 Operational.

Currently, IsDB RCI operations represent more than quarter of the whole IsDB operations. To effectively expand RCI operations, IsDB must mainstream the RCI policy and strategy into its operations and carry out RCI related work on priority basis. The implementation of RCI agenda must be integrated and well-coordinated with different departments and entities across IsDBG to improve effectiveness and efficiency of IsDB interventions.

A mechanism for systematic feedback and learning from past experiences should be established to influence the design of new RCI projects, especially in relation to the key factors of performance. This mechanism should specify clear responsibilities for the collection, validation, analysis and use of the information for future program formulation. Creating a central RCI database of IsDBG operations will help the further analysis and evaluation for better project design and implementation.

Aligning with RCI institutional and operational practices of other MDBs will help IsDBG through benefiting from long and rigours experiences of MDBs. For example, Asian Development Bank (ADB) and African Development Bank have a planned RCI activities since 1994 and 2000, respectively. This shows that other MDBs already possess a valuable experience that could benefit IsDB RCI operations. In addition to relevant regional and international organizations, IsDB can support establishing a permanent RCI Developmental Group including other MDBs and Regional Cooperation Organizations (RCOs).<sup>5</sup> This group will improve effectiveness of IsDB in implementing RCI projects through exchanging knowledge and experience in addition to identifying of potential partnerships opportunities.

While the IsDB should clearly define the roles, responsibilities and resources among CSC Department (custodian department for IsDB's RCI policy and strategy), other regional and sectoral departments including regional hubs should designate focal points to engage with CSC and have responsibilities for mainstreaming RCI into operations. In addition, responsibilities for monitoring and reporting on regional strategy implementation should be specified. Responsibilities of regional hubs should be better defined, and their capacity needs to be strengthened to engage in strategic policy dialogue with country authorities.

The Bank should expand CSC department resources to fit its mandate. CSC mandate should focus on providing RCI high-level and strategic advisory services, knowledge generation and management, and deeper engagement with RCOs and other regional institutions.

<sup>5</sup> For example, ADB operates the South Asia Subregional Economic Cooperation (SASEC) program, which brings together Bangladesh, Bhutan, India, Maldives, Myanmar, Nepal, and Sri Lanka in a project-based partnership that aims to promote regional prosperity, improve economic opportunities, and build a better quality of life for the people of the subregion.

## CHAPTER 4

## REGIONAL PLANS LEVEL

IsDB needs to maximize the utilization of ongoing and future regional initiatives, such as the Belt and Road Initiative (BRI), Bereket-Etrek Railway Project (KTI) in Central Asia, and Trans Saharan Road (TSR) in Africa. Moreover, MCs are part of various regional trade preferential agreements, such as the Trade Preferential System of OIC (TPS-OIC) and the Continental Free Trade Area (CFTA) of Africa.

The prevalence of single-country projects indicates that there are too many RCI projects being justified based on regional spillover and there are not enough pure regional projects with multi-country involved. Accordingly, IsDB should adapt specific staff and institutional incentives to promote multi-country operations. These institutional incentives encourage Departments and staff to undertake complex multinational operations. For example, leveraging the country allocations if participating in multi-country projects.

As of now, IsDB's RCI agenda has been predominantly dominated by "Cross Border Connectivity" pillar activities, mainly focusing on transport and energy connectivity. The "Cross Border Connectivity" activities and results achieved have been sizable and IsDB must continue work in these areas. However, there is a need to rebalance IsDB's work across the other pillars too. In future, the framework envisages that IsDB's RCI work will include more from other pillars (RPGs, Trade and Islamic Finance and Investment climate). As IsDB's upcoming operations will be closely aligned with global value chains, it is expected that MCs will increasingly seek support for trade facilitation such as improving customs procedures and infrastructures. extending support to MCs for trade facilitation will broaden IsDB's operational activities.

The Bank should be more focused when addressing the soft constraints of RCI and specify the areas for providing RPGs. For soft constraints, one option would be to concentrate on the constraints of the regulatory and administrative framework in relation to the sectors where the Bank is most active. To boost performance under RPGs pillar, the Bank should define a limited number of areas where it has appropriate expertise and where it can contribute the most compared to other development partners.

IsDB RCI intervention in the information and communication sector should be upgraded to match with technological upgradation, especially with the evolution of Industry 4.0 and digitalization concepts. The strong possibility of utilizing Reverse Linkages in technology transfer is there for ensuring better exchange of ideas and expertise across MCs.

The RCI grant programs need to build a new independent agenda based on rigorous analysis of RCI status at different IsDB's regions. This agenda must be fully aligned with the current and future approved RCI projects, which will empower the implementation of the regional projects and will reflect a harmonized positive image on IsDB's regional interventions. Accordingly, there is a need for reconsideration of human and financial resources allocated for these programs.

## OPERATIONAL LEVEL

The design of a single country RCI projects should emphasize on regional spillover impact. For example, design of national roads projects with RCI pillar must reflect the comprehensive approach for not only development of the national physical infrastructure, but also potential spill-over effects to other MCs.

Establishing an RCI special fund in response to the increasing demand for RCI activities among MCs will facilitate the pooling and provision of additional financial and knowledge resources. Operational department can utilize this fund for any RCI project either for processing a new project or have a top-up to the existing project allocations.

Political economy and national interests are dominant external drivers of successful regional integration at the structural level, especially where the political will and incentives of governments to pursue economic integration are low and where the asymmetry in size of economy and related influence within a region is high. Within regions and subregions, the dynamics between neighbouring countries are critical at the structural level. The intentions at the country and Regional levels need to be coherent for any progress in RCI. IsDB as an institution can step in the process to build strong relationship among MCs for moving forward with its RCI agenda. At the institution or agency level, capacity building and strengthening efforts generate positive results when RECs are involved from the start.

Donor coordination needs to go beyond co-financing agreements and setting up of project implementation committees to consider the soft and policy measures that complement and sustain the results of infrastructure projects.

Data on project results including in terms of outcomes should be collected both at the national and regional levels to demonstrate the achievement of the expected regional integration effects. Without the implementation of appropriate complementary economic policies and measures at country level, the full benefits of these projects can hardly be realized.

A regional body or consortium should be established in multi-country regional projects for supranational monitoring and coordination. This regional body will ensure effectiveness in realization of project regional impact.

It is vital for effective RCI projects implementation to have regional level indicators in the monitoring and evaluation framework of the project taking into consideration availability and accuracy of information under those indicators.

Design of regional knowledge-transfer projects should reflect the benefits for both recipients and provider of the knowledge. Moreover, the sustainability of these kind of projects depend on creating a strong long-term institutional partnership between knowledge provider and recipient even after the completion of project implementation.



# APPENDICES

# APPENDIX 1 ILLUSTRATIVE TYPOLOGY OF POTENTIAL ISDB ASSISTED RCI PROJECTS

	PILLAR 1: CROSS-BORDER CONNECTIVITY	PILLAR 2: INVESTMENT CLIMATE	PILLAR 3: TRADE AND ISLAMIC FINANCE	PILLAR 4: REGIONAL PUBLIC GOODS
National (single-country RCI)	National inland transport networks linked to gateway ports	Economic zones and services; investment promotion agencies	Mobilizing domestic resources for trade finance	Benchmarking national performance standards against other MCs
Cross-border/Regional (single-country RCI)	Transport, energy, ICT infrastructure; logistics centers	Trade facilitation; FDI facilitation; cross-border professional skills and standards accreditation	Regional investment funds	Improving natural resource management of a shared Environment; upgrading phytosanitary standards
Regional (multi-country RCI, RCO sponsorship)	ICT/Transport cross-border economic corridors; technology parks	Forums of regional groupings of MC private-sector stakeholders	Islamic financial markets integration; knowledge sharing platforms	Joint action combating communicable & infectious disease and illicit trade; cooperation on recovery from natural disasters
Inter-regional/Global (multi-country RCI, RCO sponsorship)	Deepwater ports and modern shipyards; inter-regional telecommunication networks	Trade integration	Harmonizing Islamic finance regulations and standards; knowledge sharing platforms	Agreements on technology Sharing and Intellectual property
Inter-regional/Global (multi-country RCI, RCO sponsorship)	Deepwater ports and modern shipyards; inter-regional telecommunication networks	Trade integration	Harmonizing Islamic finance regulations and standards; knowledge sharing platforms	Agreements on technology Sharing and Intellectual property

# APPENDIX 2 EVALUATION FRAMEWORK FOR RCI PROJECTS

ASSESSMENT LEVEL	CRITERIA	SUB-CRITERIA/INDICATORS
Regional and country	Regional Relevance/ Country Readiness	Project is considered essential to implement existing cross-border agreements or formal joint commitments of RCOs, participating MCs, or for implementing a high-level regional program/initiative of the Organization of Islamic Cooperation (OIC).
		Project is expected to generate new opportunities for improving/expanding direct Multi-MC cooperation, including RCOs or other regional institutions.
		Project scope matches with National and Regional capacities
		Project represents a high-priority 'crisis response' by IsDB to an OIC/RCO/MCs' request.
Project	Expected net regional economic spill-overs/ benefits	Project is expected to create cross-border effects, such as generation of trade through improved transport and communication, or economic corridor development; or capture of economies of scale and efficiency gains from regional specialization based on selling in a larger market; or create agglomeration and network effects or urban centres in a larger cross-border market for value added trade flows; or reduce cross-border pollution or flows of illicit activities.
		Project is expected to generate additional investment through the attraction of external funding, such as FDI (with preference given to additionality as IF) to the participating countries that would not be forthcoming for nationally-based projects. Project would expand the use of specific types of Islamic Finance instruments across borders and into new sectors or new MCs.
		The project would provide opportunities for external 'Developers' to participate directly in IsDB cross-border project formulation, technology transfer, financing and delivery.
	Risk assessment	The quality of the risk analysis and the mitigation measures and how it reflects the complexity of multi-country projects.
	Monitoring framework	monitoring and evaluation (M&E) of projects and generate evidence based on clearly articulated results frameworks and robust indicators.
		Monitor the impact of the overall regional initiatives beyond individual country.
		Availability of resources to ensure proper monitoring process (Manpower – information)
	Sustainability	Planning for sustainability of outcomes and activities at the national and regional levels
	Additionality	Project supports/reflects improved regional policy dialogue on trade, investment, and monetary and financial cooperation; cooperation on regional public goods (RPGs); aligning domestic policy reforms/ investment with cross-border objectives; research and knowledge transfer and utilization.



# NOTES

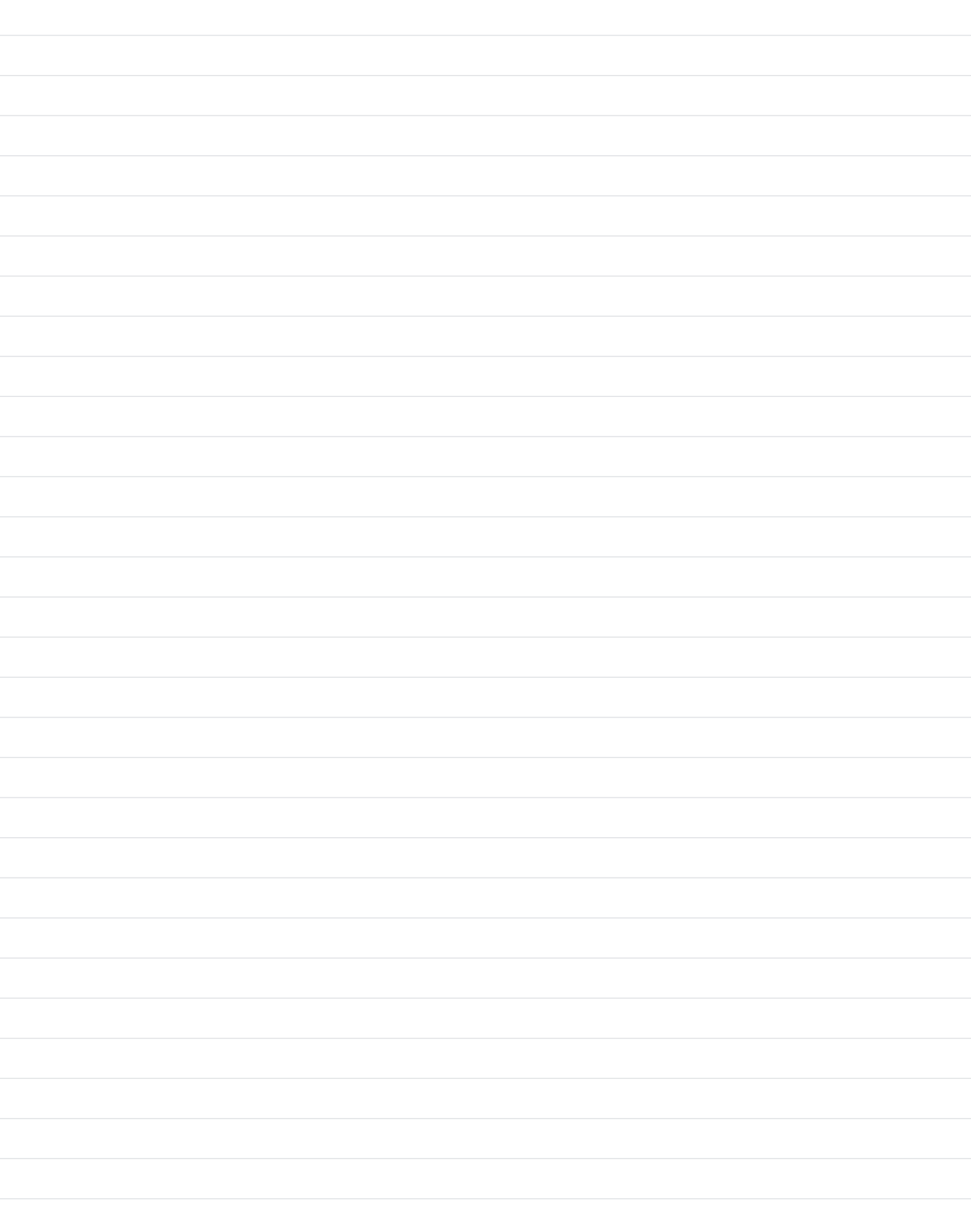
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# NOTES






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