



ECONOMIC COOPERATION ORGANIZATION (ECO)
SECRETARIAT
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Statements

By

Heads of International Organizations

(The 18th Meeting of the Council of Ministers, Tehran, 9th March, 2009)

- 1) The United Nations Economic Commission for Europe (UNECE)
- 2) The Islamic Development Bank (IDB)
- 3) The Conference on Interaction and Confidence-Building Measures in Asia (CICA)



ISLAMIC DEVELOPMENT BANK

**Statement of Dr. Ahmad Mohamed Ali
President, IDB**

on

**“Enhancing Economic Integration, Cooperation and Partnership
in ECO Region”**

**18th Meeting of the Council of Ministers of the
Economic Cooperation Organization**

**Tehran, Iran
9 March, 2009**

**Excellencies,
Distinguished Guests,
Ladies and Gentlemen,**

Assalaam 'alaikum warahmatullahi wabarakatuh,

It is indeed a great pleasure and honor for me to be with this distinguished gathering of the Council of Ministers of ECO member countries. I would like to start by expressing my sincere appreciation and gratitude to the ECO Secretariat for the invitation to attend this meeting and to deliver a statement on the occasion of the 18th Meeting of the ECO Council of Ministers. I would also like to thank the host country, the Islamic Republic of Iran, for all the support rendered to IDB and for the warm hospitality accorded to the IDB delegation.

We are meeting today at a time when there are contradictory signs in response to the global financial crisis and economic recession. On the one hand, there are signs of countries moving towards protectionism, while other countries are moving towards coordinated responses.

The Islamic Development Bank supports the coordinated approach.

Indeed, the world today stands at a crossroads due to the global financial crisis that has metamorphosed into an full-fledged economic recession. The impact of the recession is redefining development landscape and to a large extent reversing the decade-long gains made by developing countries in the effort to meet the targets set in the internationally agreed Millennium Development Goals (MDGs). The severity of the recession is felt not only in developed countries – the origin of the problem – but profoundly across developing countries, especially those economies that are highly globalized.

The ECO region is not completely immune to the global recession. In fact, the high performance achieved by many countries in the region in the last few years due to various reforms undertaken is now at risk of being reversed. The ECO region is expected to see its real output growth drop to 2.2 percent in 2009, from a growth of 4.6 percent recorded in 2008 and 6.7 percent in 2007. However, this sharp contraction in the economy posits both challenges and opportunities for the region and their development partners including IDB.

**Excellencies,
Ladies and Gentlemen,**

For this reason, I will focus my statement on activities we can both support to promote and strengthen cooperation and partnership in the ECO region in this period of recession. Firstly, we all agree that trade remains an engine of growth which can be used to promote and strengthen cooperation and economic integration between nations. Both the ECO and IDB have, over the years, used various approaches to facilitate and promote intra- and inter-trade among economies of member countries and the rest of the world. The reality today is that the world trade is shrinking and edging towards a near collapse. This may

tempt some countries to adopt protectionist policies to protect local industries. The ECO member countries should not fall into the trap of protectionism because it will prompt retaliation from trading partners, aggravating the situation, destroying business relations, and prolonging the recession.

I have listened carefully to the comprehensive report presented by His Excellency the Secretary General of ECO on the important progress made in various sectors including trade. In particular, I am pleased to learn that the ECO Trade Agreement became effective and the ECO Trade and Development Bank became operational. No doubt, the Bank and its newly established entity, the International Islamic Trade Finance Corporation (ITFC), will partner with the ECO Trade and Development Bank to jointly finance and promote project and trade activities both within ECO region and other OIC member countries. In October 2008, the Islamic Development Bank provided a Technical Assistance to support the ECO Transit Transport Framework Agreement (TTFA) to contribute to the removal of non-physical barriers to trade and harmonization of regulation relating to transit transport. I am delighted to note that the implementation of the Transit Transport Framework Agreement is actively pursued by ECO.

Secondly, I strongly believe that the ECO countries still have huge opportunities to tap and translate into regional development projects for the betterment of their collective citizens. The region is bounded by shared cultural, religious and historic affinities with immense economic potential in agriculture, industry, human capital, hydro carbon and natural resources, in addition to its strategic location on the cross road of Asia and Europe.

**Excellencies,
Ladies and Gentlemen,**

On its part, the IDB has been cooperating with ECO member countries since its inception. Up to the end of 1429H (2008), the IDB Group has financed a total number of 1,166 projects and operations amounting to US\$15.7 billion, representing 27.5% of IDB Group total financing.. This includes trade and project financing operations covering vital socioeconomic sectors in line with the development priorities of member countries. Furthermore, in order to mobilize foreign private investment, the IDB held investment conferences in Azerbaijan, Kazakhstan, Turkmenistan, Tajikistan, Uzbekistan and Kyrgyz Republic. The IDB has also been instrumental in mobilizing additional financial resources for infrastructure projects from the members of the Arab Coordination Group through arrangement of roundtable meetings and co-financing structures. As part of its new Vision, the IDB is increasingly focusing on enhancing regional and sub-regional economic integration through investment in regional infrastructure projects (mainly transport and energy) and trade promotion activities.

In the same direction, the IDB is playing an active role in building partnerships with multilateral and bilateral donors to encourage regional economic cooperation and integration among countries in the Central Asian and South Asia regions. These initiatives include the Central Asian Regional Economic Cooperation, and the creation of

Central Asia, South Asia Regional Electricity Market. The IDB has financed many projects under these initiatives in Afghanistan, Azerbaijan, Kazakhstan, Tajikistan and Uzbekistan.

I would like to reiterate the readiness of the IDB to support ECO in its efforts of addressing the development challenges facing member countries in fighting poverty, developing infrastructure, overcoming economic recession, and fostering sustainable economic development of member countries.

As already highlighted in the report of His Excellency the Secretary General, I have the pleasure to announce that a trilateral Agreement between ECO, IDB and UNESCAP on transport development will be signed during this occasion. The purpose of the Agreement is to promote the development of an international integrated intermodal transport and logistics system for member countries.

The IDB would like to expand its cooperation with ECO to integrate the ECO region with other neighboring regions through strategic development initiatives such as transport and energy networking. In this regard, the IDB is pleased to note progress on the railway corridor linking Islamabad, Tehran and Istanbul to Europe as well as the Power Network linking Turkey, Iran, Syria and Iraq. The Bank stands ready to synergize and partner with ECO in its current and future initiatives to ensure close collaboration with their counterpart institutions at OIC level, especially in promoting science and technology, and food security.

**Excellencies,
Ladies and Gentlemen,**

There is no better time than this recession period to strengthen cooperation and economic integration. As more countries are moving towards regionalism to stave off the effects of globalization, in the short run, ECO economies should focus on strengthening stability against external shocks through collective response and adopting adequate policies for promoting intra-regional trade and investment and avoiding protectionism. In this regard, the IDB and its affiliate institutions are ready to provide their full support through the wide range of modalities and instruments at their disposal including private sector development, trade financing, insurance and guarantees, as well as project finance to

It may be noted that on the basis of strict adherence to guiding principles, Islamic banks have proven resilient to the current financial crisis. Therefore, ECO member countries may consider supporting and promoting Islamic Financial Service Industry. In this connection, the IDB is ready to provide technical advisory services and financial support to countries interested in the introduction of Islamic banking and financial services.

Before closing, I would like to assure you that in the wake of the current financial crisis, the IDB Group is taking all possible measures to increase its volume of lending to all member countries starting from this year by 15 percent. This will increase IDB's annual lending from \$5.8 billion in 2008 to US\$ 6.6 billion in 2009 and \$7.7 billion in 2010

through mobilizing additional resources from international market by launching Sukuk (Islamic Bonds) to meet urgent needs of its member countries and to overcome the adverse effects of global economic crisis.

Once again, I would like to thank you for inviting me to be with you in this important meeting and wish you all the success in your deliberations. The IDB will always be ready to support regional economic integration and cooperation among ECO member countries. Thank you.