

## The 12<sup>th</sup> Council of Ministers

### Report of the Secretary General on ECO Activities

( Istanbul, October 12, 2002 )

*Annex-IV*

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#### **Preamble**

1. The 11<sup>th</sup> meeting of the Council of Ministers was held on May 4, 2001 in Dushanbe (Tajikistan) under the Chairmanship of H.E. Mr. Talbak Nazarov, Minister of Foreign Affairs of the Republic of Tajikistan. Since then many important developments have taken place, both in the region as well as with regard to the scheduled activities of the Economic Cooperation Organization.

2. The then Secretary General H.E. Dr. Abdolrahim Gavahi resigned in June 2002 on health grounds and with the active and prompt support of the member states, the current Secretary General, H.E. Seyed Mojtaba Arastou, was elected as the Executive Head of ECO on July 15, 2002.

3. The report has been prepared keeping in view the priority sectors as well as the thrust and importance given to other related developments by the member states at

different level in different ECO meetings. The objective has been to brief the member states on the course of action ECO staff has taken with the active support of the member states to realize the proposals from member states as well as the objectives of the organization as enshrined in the Treaty of Izmir.

4. I am pleased to submit the annual report on the work of the organization as stipulated in Article – IX of the Treaty of Izmir. Due to shortage of time, the report could not be more comprehensive. I expect to present more detailed report on the activities of the organization to the 13<sup>th</sup> Council of Ministers in 2003.

## **Section -1**

### **RECONSTRUCTION OF AFGHANISTAN**

5. Since the return of normalcy in Afghanistan early this year, there has been a strong realization among the international community to play its due role to stabilize economy in Afghanistan and start early reconstruction work to effect settlement of Afghan refugees returning from other countries. The former Secretary General of ECO raised the possibility of spearheading the reconstruction work in Afghanistan on behalf of international agencies and donors in his meeting with the Secretary General, Mr. Kofi Annan, in New York on November 20, 2001. Presumably, the UN Secretary General agreed to give prominent role to ECO in UNDP-led international campaign to raise funds for the reconstruction of work in Afghanistan.

6. CPR allowed the then Secretary General to attend the Tokyo Fund Raising meeting held in January this year. He could not do so. Later ECO participated in the UNDP-led 4-member (Afghanistan, Iran, Pakistan and UNDP) Conference on Afghanistan held in Tehran in May 2002. The second UNDP Conference is now scheduled to be held in Kabul and UNDP has proposed that ECO should attend it.

7. In parallel, ECO member states addressed the issue at the monthly meetings of the Council of Permanent Representatives (CPR). Many useful ideas were floated in seven CPR meetings. Iran, Turkey and Uzbekistan presented some specific proposals which encouraged other member states to respond on the issue in a more meaningful manner. Pakistan intimated to the Secretariat the training facilities for Afghan nationals and the areas in which the government of Pakistan could assist the reconstruction of Afghanistan. Turkey also informed about the Turkish aid already given to Afghanistan on bilateral level.

8. In response to a request from the member states suggestions, the Transitional Islamic government of Afghanistan provided a list of priority areas for ECO assistance. The same was considered seriously by the member states both in Tehran as well as in capitals and the preliminary consensus among the member states indicated support for (a) seminar on reconstruction of Afghanistan; (b) constitution of an 'ECO Fund' for reconstruction work in Afghanistan; and (c) ECO's participation in projects suggested by Afghanistan as long as these remained in conformity with the financial and technical capacity of the ECO Secretariat.

9. The 3<sup>rd</sup> meeting of WGSO held in Tehran in May this year also delineated on the issue. The deliberations demonstrated the desire of the member states to help Afghanistan in a more meaningful manner. Iran was tasked to prepare preliminary document on ECO Fund for Afghanistan which can be circulated among member states for their views. In parallel, committee of Senior ECO staff was proposed to be set-up to look at issues related to the ECO's participation in the reconstruction of Afghanistan. The Council of Permanent Representatives (CPR) was proposed to follow-up the matter.

10. The Secretary General in his recent visit to attend the United Nations General Assembly in New York had met Mr. Lakhdar Brahimi, Special Representative of UN Secretary General on Afghanistan for better coordination of ECO-UN measures to ensure speedy reconstruction in Afghanistan. Mr. Brahimi informed the Secretary General that the UN was preparing a policy paper with regard to the reconstruction in Afghanistan in areas the current Afghan government considers as priority sectors. He invited ECO to give suggestions and proposals for inclusion in the UN strategy. Both sides then agreed on developing close cooperation between ECO and the officials of the Special Representative of the UN Secretary General for Afghanistan to ensure full support for reconstruction in Afghanistan.

11. In pursuance of the recommendations of the 3<sup>rd</sup> meeting of the WGSO, a Committee of Senior ECO officials were set-up consisting three Deputies Secretary General and one Director as Coordinator. The Committee was tasked to prepare a concept paper and work under the Chairmanship of the Secretary General and prepare a paper on the ECO's involvement in the reconstruction of Afghanistan. The paper was to include views and comments from the member states as well as the decisions taken during the CPRs meetings and conclusion of the 4 countries-UNDP meeting held in Tehran. The Secretariat has already presented a concept proposals including some recommendations to the WGSO and other ECO fora. The recommendations are given below;

### **Recommendations:**

a) Priority projects/Training Courses

Afghanistan's priority areas are transport, telecom, trade, agriculture, education and health. In each area a list of specific priority projects to be implemented with the help of ECO should be prepared and forwarded to the Secretariat by Afghanistan. To avoid duplication, the projects being implemented through bilateral cooperation with member states may also be separated either by Afghanistan or by the concerned member states.

Once the specific priority projects to be implemented with the help of ECO as regional organization become available (from the Government of Afghanistan), the ECO Secretariat will try to prepare bankable project proposals. This will need specialized work which can only be done with the help of UNDP/UNCTAD and other agencies/consultants.

The most important task here is to determine the financing sources of these projects. To finance the priority projects and the activities connected thereto, the Secretariat may consider two sources of financing; the internal source could either be the joint ECO Fund or a special fund in ECO's annual budget for this purpose; the second source could be the international donors/countries whose decisions will largely depend on the quality of bankable project documents.

ECO may help in arranging training facilities for experts from Afghanistan from the member states and also seek support from specialized agencies and organizations in this context. Nevertheless, the Transitional Islamic Government of Afghanistan may consider the following offers/views made by some member states:

b) Ongoing ECO Programmes/Projects

ECO may reorient its existing programmes/projects in a way that those events/projects covering Afghanistan may be given priority or the programmes which do not include Afghanistan, if possible, may be expanded to include Afghanistan.

Therefore, the concerned ECO Directorates may review their programmes in the light of the above to involve ECO in the reconstruction of Afghanistan.

Devastated energy units such as upstream and downstream units in hydrocarbon sector as well as production and transmission of Electrical Power may be taken care of using international financial resources and expertise of other ECO Member States.

c) ECO Seminar on Reconstruction of Afghanistan

The idea has been floating for the past six months. Now Afghanistan government has indicated its priority areas which have been considered in the capitals of the member states. There is a need to indicate whether the proposed seminar can help expedite the constitution of the ECO Fund and participation of the member states in the reconstruction work in Afghanistan. Perhaps, the seminar may be used to announce the setting-up of the ECO Fund and offers of financial assistance.

d) Establishment of Joint ECO Fund

In view of the divergent opinion among the member states on this issue, no concrete action could be taken to prepare a suitable modality for the establishment of ECO Fund for Afghanistan at the ECO Secretariat. In accordance with the recommendation of the 3<sup>rd</sup> WGSO meeting, the IR of Iran forwarded to the Secretariat a preliminary document on the establishment of a Joint ECO Fund. Any further action towards the

establishment of ECO Fund will be taken in the light of the recommendations of the 4<sup>th</sup> WGSO and decision of the 12<sup>th</sup> COM.

- e) Dissemination of information about Afghanistan to member states  
The Secretariat may play an effective role in dissemination of information about new arrangements, regulations, laws etc. in the priority areas for reconstruction in Afghanistan. The Embassy of Afghanistan in Tehran may regularly convey to ECO the information which it deems necessary to be circulated among the member states.

- f) Establishment of ECO Trade and Development Bank (TDB)  
The agreement on establishment of Trade and Development Bank (TDB) has entered into force and the Bank is expected to be established and become operational this year.

The ECO Bank, upon its establishment, may provide concessional financing facilities for implementation of Afghanistan priority projects. The Bank may also cooperate with those international donors who have already committed assistance to reconstruction of Afghanistan like World Bank (WB), Asian Development Bank (ADB), UNDP and other donor countries. The Bank may establish a special fund to help Afghanistan.

In the light of the above, early establishment and operationalization of the ECO Trade and Development Bank (TDB) will be helpful for the reconstruction work in Afghanistan. This may be considered as a long term measure for sustaining reconstruction drive started under the supervision of UN agencies.

- g) Focal Points of ECO and member states  
The Committee comprising senior ECO staff on the reconstruction of Afghanistan has been established at the ECO Secretariat with three Deputies Secretary General as member under the Chairmanship of the Secretary General. The Directorate of Project Research was appointed to function as the focal point of the Committee. The member states may inform their focal points regarding the proposed ECO plan of action for the reconstruction work in Afghanistan for smooth cooperation/coordination between the ECO Secretariat and the member states.

An internship programme for Afghan experts in the fields of transport, communications, trade, energy, health, project formulation, etc. may be established at the ECO Secretariat to facilitate the involvement of Afghanistan in the ECO activities. The Secretariat should finance their travel and lodging expenses through the ECO Special Support Fund (SSF).

- h) Cooperation with other int'l organizations

An Action Plan based on the deliberations of the member states on the points raised in this paper, after due approval from the concerned ECO organs, should be sent to the relevant int'l organizations i.e. UNDP, ADB, IDB, WB, etc. to inform them about ECO's position on the issue and seek their contributions/cooperation. In this regard, experts from the member states should help the ECO staff prepare bankable documents to raise the possibility of getting international funding for the proposed ECO Plan of Action.

The Sectoral units have already started working how to expand their present programmes to include Afghanistan as a full member.

## **Section-II   SECTORAL ACTIVITIES**

### **TRADE AND INVESTMENT**

#### Objectives:

12. As per the Treaty of Izmir, the objective of the Organization in the trade sector, is to take measures towards progressive removal of trade barriers within the ECO region and expand intra and inter-regional trade, keeping in view the experiences of other regions and global economic trends.

#### Tasks implemented:

13. Since the objective in this sector, as stated above, is to liberalize trade and expand it regionally, a two-track strategy is being followed in ECO trade cooperation: i. Removal of tariff and non-tariff barriers in the region, thus providing regulatory and enabling environment for trade (top-down activity from governmental to business sector); ii) Increasing the interaction of private sector in various products groups potentially important in the region (bottom-up activity from business to governments)

14. Concerning the first component, a High Level Experts-Group (HLEG) comprising the officials from Ministries of Commerce/Foreign Trade of the member states is presently working on developing a regional trading agreement i.e. ECOTA, for removal of tariff and non-tariff barriers. The HLEG in its 4<sup>th</sup> meeting held in Almaty (9-10 September, 2002) considered in detail all the articles of the draft ECOTA and concluded that a second draft Agreement be proposed on the basis of recommendations made by the member states for discussion in the next meeting. Moreover, there are some other activities supporting this first component, namely trade facilitation activities such as annual meetings of ECO Heads of Customs Administrations, Trade and Investment Information Networking, WTO Seminars, Training Courses on various customs issues.

15. Among the latter group of activities, Customs Cooperation deserves an important place in ECO. Heads of Customs Administration convenes each year under the name of Council of Heads of ECO Customs Administration (CHCA) to review and discuss ongoing cooperation activities. In their 2<sup>nd</sup> meeting held in Tehran (2

September, 2002) it was decided to establish a Regional Data Bank on Smuggling and Customs Offences, which is to be technically and financially supported by the Turkish Customs Administrations. The CHCA also deliberated on Afghanistan issue and expressed its readiness to extend all possible assistance in rebuilding Afghanistan Customs Administration, which, in return, undertook to convey its specific needs to the Secretariat at the earliest. The meeting also appreciated the offer of Iran Customs Administrations to prepare and publish regular ECO Customs News Letter, in order to create awareness about regional customs issues.

16. The second component (bottom-up approach) is rather new in ECO Trade cooperation and it largely evolves around joint ECO/ITC project aiming at holding as many buyers-sellers meetings as possible in potential product groups for intra-ECO trade. The purpose of this activity is two-fold: First, bringing traders together in specific groups will contribute to raising business awareness in the region as well as provide inputs to HLEG for their knowledge on the trade impediments for necessary action; second, it is also hoped that capacity of ECO Chamber of Commerce and Industry would be strengthened.

17. As part of implementation of the joint ECO/ITC project, 1<sup>st</sup> Buyers and Sellers meeting (BSM) was held in respect of textiles and clothing in Istanbul (17-18 October 2002) where more than 80 companies from the member states participated to establish business contacts. The 2<sup>nd</sup> BSM is scheduled to be held on food products in Almaty (March/April, 2003). Moreover, the 1<sup>st</sup> ECO Business Forum is being organized on the sidelines of the 7<sup>th</sup> ECO Summit and 12<sup>th</sup> COM meetings. The forum aims at reviewing and discussing trade constraints in the ECO region and communicating the views of the ECO business community in this regard to the governments of the member states. The business community is also expected to make recommendations for removal of the existing trade barriers and to feed the trade policy making process in the medium to long term.

Tasks which have been planned but could not be implemented due to some difficulties

18. In this regard two activities are worth mentioning. The first one is with regard to establishment of Trade & Investment Information Networking in the ECO region. So far, only two Seminars to discuss the modalities of the proposed networking system have been held in Tehran (Iran) and Antalya (Turkey) respectively. However, the 3<sup>rd</sup> Seminar could not so far be held owing to the non-confirmation of the date for holding this Seminar by the host country namely Pakistan. It may be mentioned here that the holding of 3<sup>rd</sup> Seminar is critical to the establishment of the proposed networking system as it would finalize the plan of action and project document prepared by the ECO Secretariat with the assistance ITC and UN-ESCAP.

19. The second area which requires immediate attention concerns the ECO Trade Fairs. As you may recall, one of the major objectives for establishing the ECO Chamber of Commerce & Industry (ECO-CCI) was to facilitate the holding of Trade Fairs &

Exhibitions aimed at promoting intra-regional trade. However, since 1999, ECO-CCI has not been able to hold any Fair or Exhibition owing to lack of financial resources and institutional support from the member-Chambers.

#### ECO recommendations regarding removal of difficulties

20. As already stated in the preceding paragraph, the plan of action and project document regarding the establishment of ECO Trade & Investment Information Networking System, needs to be urgently reviewed by the member states. However, in order to do so, the 3<sup>rd</sup> Seminar on Trade & Investment Information Networking System needs to be convened as soon as possible. In this regard, IR of Pakistan may be requested to organize the said Seminar at an early date.

21. As regards, the question of organizing the Trade Fairs/Exhibitions, it is suffice to say that without the active interest, patronage and financial support of all the member-Chambers of ECO-CCI, Trade Fairs & Exhibitions would continue to remain illusive as ever.

#### Sectoral activities with regard to international agencies

22. It is imperative for the Organization to develop and strengthen relations with the relevant international and regional organizations to secure their technical and financial assistance in realizing the objectives of ECO. These organizations are: UN Agencies (UNCTAD, ESCAP, UNECE, ITC, UNDP), WTO, WCO, World Bank, OIC/IDB and the International Road Union (IRU). Among the regional organizations, which ECO can draw useful lessons of regional cooperation, are EU, ASEAN, BSEC, (Persian) GCC, COMESA, SADC, etc.

23. Apart from these organizations, ECO may also approach some donor institutions and countries such as ADB, Japan (JETRO), Netherlands, Australia, Switzerland, etc. for financing of some ECO projects.

#### Prospects and future course of action

24. Removal of tariff and non-tariff barriers (NTBs) and thus securing a closer regional economic integration is very important for the region in the long term. However, the short to medium term prospects for this objective are challenging. Governments and private sectors of most member countries lack the effective institutional and human resource capacities to deal with the complexity of the multiple demands of regional and multilateral trade agreements.

25. Hence, opting for a purely business-oriented trade enhancement methodology and approach for developing intra-regional trade appears to be more viable in the short to medium term. This approach has already been tested successfully within the framework of ECO/ITC Project. It is, therefore, recommended that ECO would organize Buyers and Sellers (BSM) meetings on an ongoing basis on several product groups and



gather information on tariff and NTBs on these products groups; and then feed back them into the inter-governmental process of regional trade liberalization.

## **TRANSPORT AND COMMUNICATIONS:**

### Objectives:

26. The objectives of the ECO in the field of Transport and Communications were determined by the Izmir Treaty, Quetta Plan of Action (para 9), Istanbul Declaration (ECO Long-Term Perspectives) and were set forth in the Almaty Outline Plan for the Development of the Transport Sector in the ECO region and Economic Cooperation Strategy for the ECO region:

- i. Accelerate development of transport and communication infrastructures linking the Member States with each other and with the outside world.
- ii. Enable trucks to travel from one end of the region to the other in accordance with internationally accepted standards and by routes prescribed by Member States.
- iii. Expand and integrate national railway networks to permit transportation by rail from one end of the region to the other.
- iv. Expand air connections so as to provide air connection between the capitals and major cities of each of the ECO countries at least once a week.
- v. Expand port facilities to handle the sea-borne trade of the region.
- vi. Conclude bilateral or multilateral agreements within or beyond the region that may be necessary to facilitate such transport including access through new border and custom posts that may be established.
- vii. Develop a multimodal transport framework for the ECO region.
- viii. Inter-connect the national telecommunications networks.
- ix. Establish a common postal area.

### Tasks implemented:

Programme of Action for the ECO Decade of Transport and Communications(1998-2007)

27. The Programme was adopted by the 2<sup>nd</sup> Ministerial meeting on Transport and Communications on 14 March, 1998 in Ashgabat and endorsed by the 8<sup>th</sup> COM meeting held in Almaty on 9 May, 1998.

28. After the endorsement of the Programme of Action for the ECO Decade of Transport and Communications (1998-2007) by the ECO decision-making bodies, the status of its implementation was included in the Working Papers for Preparatory/Review meetings for the 10<sup>th</sup>, 11<sup>th</sup> and 12<sup>th</sup> RPC meetings held in Tehran on 7 February, 2000, 26 February, 2001 and 6 March, 2002, respectively.

29. The 4<sup>th</sup> ECO Ministerial meeting which was held in Izmir on 26-27 September, 2002 discussed various aspects of the actions envisaged in the said Programme. The member states furnished status reports on the implementation of the Programme of Action for the ECO Decade of Transport and Communications (1998-2007). The meeting expressed satisfaction over the achievements of the Organization in this sector, highlighting the important initiatives undertaken since the 3<sup>rd</sup> ECO Ministerial meeting. The member states were requested to continue their support for early implementation of the agreed decisions and recommendations of the previous meetings. The 5<sup>th</sup> ECO Ministerial meeting on Transport and Communications will be held in Kyrgyz Republic in 2004.

Launching of a demonstration container train from Almaty to Istanbul via Tashkent and Tehran

30. The 5<sup>th</sup> meeting of the Heads of ECO Railway Authorities held in Almaty on 19-21 September, 2000 decided to set up the Special Working Group (SWG) with its office in Almaty to complete all the preparatory work to launch the proposed demonstration container train on Almaty-Istanbul route within 2000.

31. Now, the regular container train on Istanbul-Almaty route is operational since January 20, 2002. Unfortunately, there is no container traffic from Almaty to Istanbul due to non-competitive tariff on this route.

32. The 4<sup>th</sup> Ministerial meeting noted with appreciation the work carried out by the Turkish State Railways, and taking into account its important role in the development of transportation on Trans-Asian Railway route, decided to urge the concerned authorities of member states to finalize all pending matters including tariffs and to take further actions for the smooth running of the container trains on regular basis along the Trans-Asian Railway main line of the East-West transport corridor.

Opening of International Passenger Traffic on Almaty-Tashkent-Turkmenabad-Istanbul route of Trans-Asian Railway main line

33. The prospects for opening of international passenger traffic along the main Trans-Asian railway line namely on Almaty-Tashkent-Tehran-Istanbul route and the possibility of extending railway passenger traffic service with a view to attracting

passenger flow from/to Bishkek, Dushanbe, Ashgabat and Baku etc. were considered by the 3<sup>rd</sup> meeting of the Heads of ECO Railway Authorities held in Istanbul on 3-5 November, 1998.

34. In 1999 an Experts Task Group composed of experts on railway traffic and passenger service to study the possibility of launching such international passenger traffic decided to launch international passenger traffic on Almaty-Tashkent-Tehran-Istanbul route of the Trans-Asian Railway main line

35. In pursuance of para 28 (sub-para i and ii) of the 11<sup>th</sup> RPC meeting (Tehran, 1 March, 2001) endorsed by the 11<sup>th</sup> COM meeting (Dushanbe, 4 May, 2001) the meeting between delegations of the Islamic Republic of Iran and Turkmenistan to settle organizational, technical, legal and financial issues related to railway traffic through Serakhs (Turkmenian) Serakhs (Iranian) border stations was held in Mashhad (Iran) on 30 July – 2 August, 2001. This meeting considered the draft Railway Traffic Regulations as well as other unresolved problems in the preparation of opening of international railway passenger traffic on Almaty-Tashkent-Tehran route. The agreed version of the above Regulations was signed at the 2<sup>nd</sup> meeting of the said delegations held in Ashgabat on 15 November, 2001.

36. The MoU among the railway administrations of the Islamic Republic of Iran, Republic of Kazakhstan, Kyrgyz Republic, Republic of Tajikistan, Turkish Republic, Turkmenistan and Republic of Uzbekistan on the opening of international passenger traffic on Almaty-Tashkent-Turkmenabad-Tehran-Istanbul route of Trans-Asian Railway main line signed in Baku on 31 October, 2001 during the 6<sup>th</sup> meeting of the Heads of ECO Railway Authorities.

37. The 1<sup>st</sup> Pilot (technical) run of the international passenger train No.19/20 from Almaty to Tehran and back was inaugurated on 14-17 March, 2002 with the participation of officials and experts from the relevant departments of the participating ECO railways and representatives of mass media. The regular run of this train depends on only from an early concurrence of its constant schedule by Uzbekistan railway authorities.

Study and formulation of a flexible tariff policy for economical and efficient organization of railway transportation in the ECO region.

38. The adoption of agreed tariffs on ECO railways routes was initiated by Kazakhstan delegation during the 4<sup>th</sup> meeting of the Head of ECO Railway Authorities (Lahore, 26-28 October, 1999). This meeting, decided to set up an Experts Group to study and formulate a flexible tariff policy for economical and efficient organization of railway transportation in the ECO region.

39. The 6<sup>th</sup> meeting of the Heads of ECO Railway Authorities, held in Baku on 30 October – 1 November, 2001, recommended to continue the Experts Group's activity on the modification of draft ECO RTP.

40. During the 4<sup>th</sup> EGM (Ashgabat, 9-11 January 2002) after detailed consideration of various views and approaches on how to formulate a flexible and transparent tariff policy, came to unanimous conclusion that the finalization and adoption of the draft ECO RTP as it was formulated in the previous meetings was premature at this stage. In view of the need for expediting the measures to make the routes of Trans-Asian Railway attractive for the customers and to increase the volume of transportation, the participants of the meeting agreed as follows:

- i) To submit the draft MOU on ECO Railway Tariff Policy for International Freight Traffic, formulated during the meeting, to the Heads of ECO Railway Authorities for consideration and finalization of its text. In this respect, the meeting requested all ECO railway administrations to submit their views and comments on the subject MOU to the ECO Secretariat by 1 March, 2002 to summarize and circulate the revised draft for final consideration.
- ii) The table of through railway tariffs of the ECO member states for the transportation of containers by Almaty-Tashkent-Tehran-Istanbul block train should be circulated among the railway administrations of the region after the finalization of railway tariff of Kazakhstan, Kyrgyzstan and Uzbekistan, but not later than 25 January 2002.
- iii) In order to facilitate the mutual payments the railway administrations of Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan should formally recommend by 25 January 2002 their forwarding companies to railway administrations of Iran and Turkey for concluding contracts on direct and transit transportation of goods. These companies shall provide the tables of tariff and transit distances as well as tariff rates applied on their territories, to simplify the work of their operators.

The above draft MOU will apply in the ECO region:

- a) The Tariff Policy of CIS countries for the transportation of goods by the railways of Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan;
- b) The tables of transit distances and tariff rates of Afghanistan, Pakistan and Turkey for the transportation of goods by the railways of these member states. (The Tariff Policy of CIS Railways shall be applied in the ECO region temporarily, pending the accession of Afghanistan, Pakistan and Turkey to OSJD.)

The 4<sup>th</sup> Ministerial meeting appealed to the governments of the member states to consider the adoption of a common transit tariff for the container train from Almaty to Istanbul on the Trans-Asian railway main line to make it commercially more attractive for the shippers/consignees. Also in this regard, the member states were requested to review the visa policy particularly

facilitating the granting of visa at reduced rates to the drivers as well as to other nationals of ECO member states.

Tasks which have been planned but could not be implemented due to some difficulties:

#### Establishment of PCTC

41. The establishment of an ECO Permanent Commission on Transport and Communications (PCTC) was initiated by the President of Turkmenistan at the 3<sup>rd</sup> ECO Summit held in Islamabad on 15 March, 1995 and envisaged in para 16 of the Ashgabat Declaration (1997). The 2<sup>nd</sup> ECO Ministerial meeting on Transport and Communications (Ashgabat, 14 March, 1998) decided to set up a High-Level Experts Group to work out its organizational structure, terms of reference and working mechanism.

42. For lack of quorum, the Commission could not meet thrice last year. So far, only I.R. of Iran, Kazakhstan, Kyrgyzstan, Pakistan, Turkey and Uzbekistan have designated their representatives to ECO PCTC.

43. Except that Kazakhstan, Kyrgyzstan, Tajikistan, Pakistan, Uzbekistan, Turkey and Iran have nominated their representatives to PCTC, there has not been any active support for scheduling of the meeting of PCTC which is essential to operationalize PCTC. Partial hospitality by the Secretariat has failed to elicit a favourable response to this effect. The meeting, as a result, has been postponed thrice.

44. At the 4<sup>th</sup> Ministerial meeting the ECO Secretariat, in view of the current status of support for PCTC and its utility, recommended:

- i) PCTC no longer enjoys active support from member states despite its initial approval by nine member states.
- ii) The establishment of PCTC will not effect any substantive changes in the current ECO policies in this sector or bring any notable improvement in the present ECO transport planning and development.
- iii) The establishment of this additional institution (PCTC) will create extra load on the relevant Directorate's work which already needs beefing up.
- iv) Therefore, the ECO Secretariat proposes that the 4<sup>th</sup> ECO Ministerial meeting on Transport and Communications may reconsider the establishment of this project.

45. The Ministerial meeting decided to set up an experts working group to look into the possibility of creating an alternate structure to serve as a coordinator for the overall implementation of the projects envisaged in the Programme of Action for ECO Decade of Transport and Communications. In addition, the meeting proposed the secondment of

experts by member states at their own expense for short or longer duration to assist the ECO Secretariat in its efforts for developing and implementing various projects and action plans in the field of transport and communications.

Study of the possibility of introduction of an ECO Multilateral Quota for Road Transport Permits and Harmonization of Bilateral Road Permit Prices

46. The Use of the Road Transport Permits is envisaged in Articles 15 and 17 of the Transit Transport Framework Agreement (1998). At present, the member states (except Afghanistan, Pakistan and Turkmenistan) apply for the Road Transport Permits between themselves on bilateral basis.

47. The Turkish proposal regarding introduction of ECO Multilateral Quota for Road Transport Permits and harmonization of bilateral road permit prices has remained unimplemented.

48. During the 4<sup>th</sup> Ministerial meeting on Transport and Communications (Izmir, 26-27 September 2002) some delegations expressed their views that there is an urgent need to remove the existing non-physical obstacles to the means of transport in the region. In view of the needs of a new idea and common efforts to facilitate road transport in the region, the said meeting decided to set up a working group to consider the comments/views of the member states on the Turkish proposals namely the ECO multilateral permits and Draft ECO MoU on the facilitation and harmonization of international road transport of goods which should be conveyed to the ECO Secretariat by January 1, 2003.

Sectoral activities with regard to international agencies:

UNESCAP

49. The MoU between the ECO and UNESCAP signed on 7 July 1993. The cooperation between the Transport and Communications units of the Secretariats of both organizations are fruitful and prospects particularly in the following areas are bright:

- i. Implementation of ECO/IDB/ESCAP/UNCTAD joint project on Introduction of Multimodal Transport Operations in the ECO region.
- ii. Project Working Group activities on transport and border crossing facilitation under UNSPECA;
- iii. Development of Asia-Europe rail container transport through container/block-trains;

IDB

50. The MoU signed between the ECO and IDB on 7 July, 1993 proposed to undertake a comprehensive study on the introduction of multimodal operations in the

ECO region and the relevant Technical Assistance Grant Agreement between IDB and ECO was signed on 11 September 1999 on the basis of project document prepared jointly by ECO/IDB/ESCAP/UNCTAD.

51. This project is at its initial stage of implementation. The national transport and trade facilitation consultants are preparing their country reports in accordance with the TOR produced by the ECO/UNCTAD/UNESCAP. Reports from Azerbaijan, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan and Turkey have been received. IDB has been requested to provide the 2<sup>nd</sup> installment of funds to ensure UNESCAP studies and visits to border crossings in the region.

#### UNDP

52. The MoU between the ECO and UNDP signed on 15 March, 1995 provided for the following consultancy services under UNDP/ECO Capacity Building in its first phase:

- i) Preparation of the concept paper on cooperation in the field of telecommunications;
- ii) Cooperation in railway rolling stock production, repair and maintenance;
- iii) Implementation of ECO Transit Transport Framework Agreement (1998).

53. Under the 2<sup>nd</sup> phase, UNDP agreed to finance only the projects related to expansion of intra regional trade and studies to this effect. As a result, the Secretariat managed to get UNDP's commitment for the following projects:

- iv. ECO Framework document covering status of Non-tariff Barriers and Harmonization of Tariff and transit fees in the ECO region
- v. Enhance implementation of the TTFA system
- vi. Transport linkages development
- vii. Border points constraints identification

#### UIC (International Union of Railways)

54. The MoU between the ECO and UIC signed in Tehran on 31 January, 2001. Only three ECO member states namely I.R. of Iran, Pakistan and Turkey are members of UIC.

#### OSJD (Organization for Cooperation of Railways)

55. The MoU between ECO and OSJD was signed on October, 2001. The seven ECO member states namely Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan are active members of OSJD.

56. The 11<sup>th</sup> RPC meeting (Tehran, 1 March, 2001) requested the Governments of the I.R. of Pakistan and the Republic of Turkey to expedite their joining OSJD for the

common benefit of the region and the 11<sup>th</sup> COM meeting held in Dushanbe on 4 May, 2001 endorsed this decision.

57. The participation of ECO representatives in major events/meetings of OSJD would be desirable.

#### IRU (International Road Transport Union)

58. The draft MOU between the ECO and IRU is under consideration of IRU. All ECO member states (except Afghanistan and Pakistan) enjoy relationships with this organization. The regional representatives of IRU are very active in the relevant ECO regional activities. The IRU Secretariat has always invited the ECO Secretariat representatives to attend its conferences and seminars/workshops.

#### Prospects and future course of action

The following is recommended:

1. Follow-up of the implementation of the Programme of Action for the ECO Decade of Transport and Communications (1998-2007).
2. Promotion of the regular international passenger traffic on Almaty-Tashkent-Turkmenabad-Tehran-Istanbul route by the train No.19/20 Almaty-Tehran and Tehran-Istanbul train.
3. Adoption of a common transit tariff for the regular container traffic from Almaty to Istanbul on the Trans-Asian Railway main line to make it commercially more attractive for the shippers/consignees and on this basis to extend the container train route from Almaty to Lianiyngan sea port with Chinese railways and from Istanbul to European countries.
4. Early operationalization of the TTFA and TTA as well as establishment of the Transit Transport Coordination Council (TTCC).
5. Early consideration of the draft Framework Agreement on Cooperation in the field of Air Transport.
6. Implementation of ECO/IDB/UNESCAP/UNCTAD joint project on introduction of multimodal transport operations in the ECO region.
7. Expansion of the intra-regional telecommunication and postal services among the ECO member states.
8. Promotion of the ECO role in the UN SPECA and Silk Road Area Development Programme.
9. Possibility of the member states' cooperation in the field of sea port and shipping facilities.

## **ENERGY, MINERALS AND ENVIRONMENT**

### Objectives:

59. As directed by the Treaty of Izmir and the Quetta Plan of Action (1993), to intensify mobilization and utilization of ECO region's huge natural resources, in particular energy resources, the development of network of pipelines and the



interconnection of power systems of the member states to meet the entire region's energy requirements and provide outlets for access to international markets for the landlocked member states have become main elements of the strategy in this field.

Tasks implemented:

**Energy:**

60. In accordance with the Plan of Action for Energy/Petroleum Cooperation in the ECO Region for the period 2001-2005 adopted by the First ECO Ministerial Meeting on Energy/Petroleum, Islamabad, November 8, 2002, the following actions have been undertaken.

61. As per recommendation of the 11<sup>th</sup> RPC Report, the ECO Secretariat called for the 5<sup>th</sup> SETG meeting on Power. The said meeting was held in Tehran during 21-22 July 2001, finalized the Draft Technical Assistance (Grant) Agreement (DTAA) between IDB & ECO for the feasibility study on the ECO countries power systems interconnection, and redefined the Scope of Work and Terms of Reference (ToR) for the above study.

62. During the visit of H.E. IDB President to the ECO Secretariat on August 26, 2001, the aforementioned Agreement was signed by the both sides accordingly. The said Agreement has come into the force after its approval by the 61<sup>st</sup> CPR meeting held in January 2002. Recently, IDB has sent the letter of invitation for five bids to the consulting companies introduced earlier by the member states. It is expected, that the selection of the Consultant for the subject feasibility study will be done soon and the study may start accordingly.

63. The requests for the possible technical assistance to finance the cost of another important feasibility study on ECO Oil & Gas Pipeline routes have been submitted to the World Bank and Asian Development Bank as well as Islamic Development Bank (IDB). Recently IDB has announced it will consider the case and reflect their views to the Secretariat accordingly.

64. As it was requested by 11<sup>th</sup> COM, the draft ECO Wide Policy on Energy has been formulated. That policy includes, among others things, the Regional Cooperation on the New and Renewable Energy Sources. To promote the development in this new area, the 12<sup>th</sup> RPC recommended to consider the matter during the forthcoming second Ministerial meeting on Energy/Petroleum planned to be held in Tehran soon.

65. Considering that ECO Power Trade Strategy may be an important step of Regional Energy Trade recognized by the 10<sup>th</sup> RPC as one of the opportunities for the sustainable economic development, the ECO Secretariat organized the 1<sup>st</sup> ECO Workshop on Regional Power Trade Strategy on April 24-25, 2002 in Tehran at the ECO Secretariat with the financial assistance of the Islamic Development Bank

66. During the Workshop and Ad-hoc Committee meeting of Experts on Energy Conservation and Efficiency, both held in Ankara (December 5-6, 2001), the participants considered and endorsed the Outline & Methodology for Energy Conservation in the ECO countries.

67. With the view of expanding cooperation among the member states in the field of hydrocarbon industries the 2<sup>nd</sup> ECO Workshop on Petroleum Products, Marketing Study and Trade Issues was organized in Esfahan, Iran on May 6-8, 2002.

#### **Minerals:**

68. The Islamic Republic of Iran hosted the 1<sup>st</sup> ECO Ministerial meeting on Enhancement of Regional Cooperation in Mineral Sector during 29-31 October 2001, in Tehran. The meeting proved to be very useful and a draft Plan of Action on ECO Minerals was drawn and agreed upon.

69. A programme for strengthening the Regional Cooperation in Energy, Environment and Minerals was drawn up and agreed upon.

70. In order to facilitate a programme for strengthening the Regional Cooperation in Energy, Environment and Mineral sectors and under the UNDP Capacity Building Project, an appropriate ToR for UNDP Technical Assistance was formulated. UNDP helped this Directorate by assigning a Consultant who prepared a report on ECO Mineral Plan of Action.

#### **Environment:**

71. Consumption of Energy is closely interlinked with the Environment hazards. There are a number of areas where the effect on the Environment is more visible. Many of these effects were considered during the Training Workshop on Energy Resources Development and their Environmental Impact Assessment held on October 7-9, 2001 in Tehran.

72. In order to consider all the regional environmental aspects together, the 12<sup>th</sup> RPC endorsed the idea of holding the 1<sup>st</sup> ECO Ministerial meeting on Environment. This meeting, scheduled to be convened in Tehran on 14-15 December 2002 is under preparation now.

#### Tasks which have been planned but could not be implemented due to some difficulties

73. The Secretariat is awaiting the positive response of the member states on hosting some proposed workshops, expert meetings on topics such as renewable energy resources, efficiency in Energy Sector and Environmental Training.

#### Sectoral activities with regard to international agencies:

74. The Islamic Development Bank has come forward with assisting ECO to finance the Feasibility Study on the Project "Interconnection of ECO Member States Power Grids". The Bank also helped ECO to organize a Workshop on "Strategy of Power Trading in ECO Region".

75. IDB is going to look at the possibility of assisting ECO on the project of "ECO Hydrocarbon Pipeline Routes, different options" by providing financial resources to carry out the necessary feasibility study. ECO has had limited cooperation with ESCAP on the field of Energy. However, the Secretariat is optimistic for future cooperation.

## **AGRICULTURE, INDUSTRIES AND HEALTH**

76. According to the Treaty of Izmir, the Charter of ECO, one of the objectives of the Organization is "to enhance efforts for effective utilization of the agricultural and industrial potentials of ECO region" (Article II, para k). Also, the Quetta Plan of Action and Istanbul Declaration, outlining the long-term perspectives for ECO give due importance to the ECO cooperation in Agriculture.

77. In pursuance of this mandate, several activities based on the proposals covering areas such as plant protection and production, prevention of animal diseases, food security, combating desertification, among others, received from the member states were included in the work programme of the Organization.

78. However, despite the existence of great potentials and opportunities available in the region, not much progress has been made until this year. Several reasons are behind this low performance: financial constraints faced by some member states which prevented them to participate in the planned meetings; lack of institutional and human resource capacity to respond to the proposed activities; lack of clear vision as to opportunities and priorities for regional cooperation.

79. Notwithstanding these reasons, there are considerable potentials and opportunities for forging ECO cooperation in agriculture. In this regard, there is an urgent need to evolve well-framed and integrated approaches and to prioritize and streamline the present activities in order to have more effective cooperation.

80. In order to address these issues a two-day Regional Workshop on Food Security and Agricultural Cooperation was held on 29-30 May 2002 in Istanbul, Turkey. During this workshop the representatives of member states and some international organizations i.e. FAO and ICARDA, specified a number of critical issues for possible cooperation among ECO member countries taking into account their impact on food security and sustainable agricultural development in the member countries. The meeting also discussed the outcomes of the Joint Identification Mission, initiated by the ECO Secretariat with the assistance of the Food and Agriculture Organization of the United Nations (FAO) and financial support from Islamic Development Bank (IDB) and aimed at assessing the possibility of preparing a regional project document on ECO cooperation in agriculture to be submitted for donors' consideration. The workshop also

came up with some recommendations, which were submitted to the 1<sup>st</sup> ECO Ministerial meeting on Agriculture for consideration.

81. The political commitment on the future cooperation framework is also essential. Therefore, the 1<sup>st</sup> ECO Ministerial meeting on Agriculture provided an appropriate forum to ensure political endorsement and to guide the Secretariat. The 1<sup>st</sup> ECO Ministerial Meeting on Agriculture was held on 23-25 July 2002 in Islamabad. The meeting was attended by the esteemed Ministers of Agriculture of Afghanistan, Iran, Pakistan, Tajikistan and Turkey and delegations from Azerbaijan, Kazakhstan, Kyrgyzstan, Turkmenistan and Uzbekistan. International organizations, FAO, ICARDA and UNESCAP were also represented in the meeting.

82. During the meeting, the participants reviewed and analyzed the challenges and achievements of ECO countries in agriculture sector. ECO member states, Iran, Pakistan and Turkey volunteered to coordinate among the ECO countries on specific areas such as drought management (Iran), water management (Pakistan), trade promotion (Turkey), development of post harvesting and processing industry (Turkey), conservation of genetic resources and exchange of information through networking. They also agreed to evolve an “ECO Strategy for Agricultural Development and Food Security” with the support of the Food and Agriculture Organization (FAO) of the UN.

83. The meeting unanimously adopted “Islamabad Declaration on Agricultural Cooperation among the ECO Member States”, providing a common vision to achieve sustainable agricultural development in accordance with resource endowments and comparative advantages.

84. The Secretariat has institutional relationship with FAO the major UN organization working in the field of agriculture, since the signing of the Memorandum of Understanding (MoU) in 1997.

85. FAO pays great importance to the cooperation with ECO Secretariat on agricultural activities and has supported food security initiative of ECO by preparing a draft Regional Strategy for Agricultural Development and Food Security (RPFS), which was circulated among the member states in 2000. The Secretariat has benefited from FAO's active participation in the Joint Identification Mission to selected ECO countries. In this project, the Islamic Development Bank (IDB) has generously provided financial assistance for the Secretariat's participation.

86. Moreover, Food and Agriculture Organization of UN (FAO) organized a side event for ECO, on the sidelines of the World Food Summit: *five years later* (WFS:*fy*) held on last June in Rome. In this side event the delegations from the member states, FAO officials and the ECO Secretariat had the opportunity to exchange views on how to better cooperate in developing agriculture from a regional perspective with particular emphasis on the formulation of a regional programs for Agricultural Development and Food Security for ECO Member States. To this end, the Secretariat has approached

FAO to prepare the above-mentioned program through a technical cooperation program, which will include bankable projects for donors' consideration.

87. FAO has recently launched its Technical Assistance Program (TCP) for ECO to prepare a project. The draft project, amounting to US Dollar 309.000.- is currently being discussed between two organization. It will be finalized soon this year.

88. The Secretariat also signed a MoU with the International Center for Agricultural Research in Dry Areas (ICARDA) in 1999. ICARDA works to promote sustainable agricultural development to alleviate poverty and hunger and achieve food security in developing countries. ICARDA has currently been undertaking joint research activities on different topics with some of ECO countries, particularly with Azerbaijan, Iran, Pakistan, Turkey and Uzbekistan and has recently set up a liaison office in Tashkent, Uzbekistan. The Secretariat will activate the cooperation with ICARDA on mutually beneficial and relevant agricultural issues.

89. In the light of the above, it can be said that the current year has proved to be a benchmark for ECO cooperation framework on Agriculture in the future. Under the guidelines provided by the Agriculture Ministers in Islamabad meeting and laid down in the Islamabad Declaration, the Secretariat will pursue the decisions/issues agreed therein. In this regard, the finalization of the FAO project is critically important to elaborate future actions. Priority areas for ECO cooperation in agriculture have already been cleared. Works, done so far, have shown that the major priority areas for collective actions of ECO member states can be listed under five categories: (i) Plant Production and Protection; (ii) Livestock Production and Animal Health; (iii) Agricultural Marketing and Information; (iv) Resources Management and Environment; (v) strengthening Efficient Management of the Agriculture sector. It should be reiterated that without efficient and strong cooperation of the ECO member states these cannot be achieved.

## **Industry**

90. According to para (d), Article II of the Treaty of Izmir, the basic Charter of ECO, one of the main objectives of ECO is to provide for smooth integration of the economies of the member states into world economy to ensure their fuller participation in the globalization process. In line with this objective, the ECO Secretariat has also been streamlining activities in the field of industry, with special emphasis on the field of industrial restructuring policies. Accordingly, in order to enhance the role of private sector in the economic development process of the member states, the Secretariat has focused on two basic elements of the industrial restructuring policies; privatization and the development of small and medium sized enterprises, which are the most important concerns for both developing countries and transition economies of ECO states.

91. Within this perspective, the ECO Workshop on Privatization was held on 9-10 June 2002 in Istanbul, Turkey. This workshop provided the member states with the new development in privatization and created a regional forum to share knowledge and

expertise among the member states and to benefit from each other's experiences. During the seminar, participants have been acquainted with institutional underpinnings of the privatization process. It was emphasized that privatization is not an end itself, but a mean to end the inefficiencies of central planning and irrational involvement of state in the economy. It was also emphasized that in the absence of well-functioning markets and enough sources of funds, mass and rapid privatization could cause negative impacts as well. In this regard, the need for handling privatization in the context of comprehensive structural reforms was reiterated.

92. The workshop agreed that the future policy alternatives for countries and regions have to be analysed in the context of global economy. In spite of significant differences among regions of the world there are convincing arguments that call each region to design its own strategy on how to cope with the challenges of globalization. Competitiveness of transition economies in the global era cannot be effectively established without dismantling the centrally-planned economic systems that had, over several decades of its existence proved to be economically inefficient and thus inferior to the market led type of economy.

93. Moreover, the ECO Workshop on the Development of Small and Medium Sized Enterprises was held from September 30 to October 02, 2002, in Tehran, Iran. The workshop provided a regional forum to share knowledge and expertise among the member states and to benefit from each other's experiences and contributed to the development of the skills of national SME institutions from the ECO member states.

94. The ECO Secretariat is well aware of the changing realities and the requirements of globalization as characterized by technological developments, networking of markets through interrelationship of trade, investment, and technology transfer. In this regard, it is critically important to establish a common understanding among ECO countries to catch up with the recent developments in the global era and to evolve a regional cooperation framework in the field of industry. For this reason, it is important to convene the First ECO Ministerial meeting on Industry to provide the ECO Secretariat with the Ministerial guideline for its industrial activities.

## Health

95. Although the 1<sup>st</sup> meeting of ECO Health Ministers, convened in 1994 in Tehran outlined a broad framework for further formulation and preparation of specific proposals, ECO cooperation in the field of Health has not been satisfactory so far. However, the cooperative activities in this sector have been based on collaboration with international organizations.

96. In this respect, the Secretariat has cooperative relationship with international organizations, UNFPA, UNICEF, and WHO in the health sector. This relationship resulted in eight joint activities from 1994 to 2000. Currently, the Secretariat is cooperating with UNFPA to organize a Seminar on HIV/AIDS Disease and Adolescent Health with a view of the magnitude of human suffering and increased burden of care, treatment and support with the epidemic makes HIV/AIDS a major challenge for the

global community as well as for ECO region. In this regard, during the ECO Secretary General's visit to New York, UNFPA has already confirmed its technical and financial assistance for the event.

97. Today, the need to enhance health and hygienic situation is one of the pivotal issues in developing countries, especially in terms of development. Far reaching impacts of dissemination of diseases are decimating the productive sector and straining on the budgets of many developing countries. Thus, the regional action and cooperation to prevent epidemic diseases are needed for the ECO member states to have healthy societies to bolster economic growth.

## PROJECT RESEARCH

### List of ECO Projects

98. In consultation with member states and their relevant authorities, the Directorate was able to compile a list of projects requiring feasibility studies for 2002. These projects were evaluated and, after some modification, submitted to international and regional institutions for technical assistance. The subjects list was updated quarterly and semi-annually within 2001. The projects range from large regional construction i.e. of highways, railways communication lines, oil and gas pipelines, studies on regional issues and problems, preparation and publication of books, guidebooks, rosters and maps. Special care is taken while approaching donor agencies. Prior to this, the Secretariat evaluates the projects in the light of ECO objectives with suggestive grading as high, medium and low and consults member states to know their national priorities.

99. In line with the decisions of the 2<sup>nd</sup> meeting of the Working Group of Senior Officials (WGSO) held on May 2, 2001 in Dushanbeh, the member states, for the first time, were requested to indicate if there existed a need for professional consultancies for projects. In response, Azerbaijan, Iran, Kyrgyzstan, Tajikistan, Turkey and Turkmenistan evaluated the list of projects. The remaining member states are requested to review the list of projects in accordance with national and regional priorities enabling the Directorate to pursue a consolidated approach.

### UNDP Capacity Building Project

100. In October 1998, ECO and UNDP agreed on the Project Capacity Building of ECO Secretariat, initiated at the preparatory level in August 1997. The project aimed to contribute to the social and economic development of the people of ECO member states by building the institutional capacity of ECO Secretariat and ECO-Specialized Agencies in pursuit of ECO goals.

101. Under this project, the Directorate seeks UNDP's support through staff training in multiple areas such as transport, trade, agriculture, macro-economic management and policy, and the establishment of research capabilities. UNDP has limited its support to a programming study coupled with on-the-spot training. The study will determine the type

of capacity to be built within the Secretariat, noting that issues may be too specialized for efficient in-house analysis and, therefore, must be outsourced.

102. So far we have been able to arrange training courses for ECO staff including DSG's, Directors, Assistant Directors, Programme Officers and ECO non-directing staff. Another training course was organized for utilization of the World Bank Live Data for ECO staff of different categories.

103. The department has also secured equipment such as computers, photocopiers, sophisticated printing equipment from the UNDP. For the first time, evaluation reports are progressively sent to UNDP highlighting the continued utility of the projects within a renewed emphasis to allocate funds for potentially viable future co-operation. Currently we are negotiating the agreement for 2<sup>nd</sup> phase of the project.

104. Under this project around 13 consultancies in various sectors were organized by the Directorate. The selection of international consultant for each consultancy, provision of visas for the consultants and other required arrangements for the mission of the consultants have been coordinated and organized by the Directorate. The subject consultancies with brief information are as follows;

#### Regional Cooperation on Food Security (No. 1)

The selected consultant Mr. Ganesh Prasad Shivakoti, along with Director of Agriculture, Industry and Health visited Iran, Turkey and Kyrgyzstan on 13-22 April, 2001 and submitted his report. In continuation of the mission the consultant and the Director also visited Azerbaijan and Kazakhstan on 2-22 September, 2001. Now the issue paper is being prepared by the consultant to finalize the first phase of the project of the Regional Cooperation on Food Security. For the second phase of the project a workshop will be organized.

#### Training in Project Analysis (No. 2)

The selected consultant Mr. John Martin visited the Secretariat and trained ECO staff on project cycle management and analysis on 1-20 September, 2001. At the end of the training the participating ECO staff were awarded certificates signed by UNDP and ECO Secretariat.

#### Cooperation among Research Institutions (Design and Implementation of ECO Joint Economic Research) (No.3)

105. Within the first step, the selected consultant Mr. Ewen Cummins, after Tehran along with the concerned Programme Officer visited Research Institutes in Turkey and Kazakhstan on 15-20 October, 2001. He is still to submit this report to the Secretariat. The UNDP has been requested.



International Data Harmonization and Statistical Yearbook (Unification of the Methodology of Calculation and Dissemination of main Socio-Economic Indicators) (No. 4)

106. The selected consultant Mr. Dybman, carried out his assigned mission on 7-15 December, 2001. For his mission, he visited along with the concerned ECO Director selected countries namely, Iran and Kazakhstan and submitted a mission report.

Implementation of the ECO Framework Agreement on Trade Cooperation (ECOFAT) (No. 5)

107. The selected consultant Mr. Michael G. Plummer visited the ECO Secretariat and then attended the HLEG meeting on Tariff and Non-tariff Barriers held in November 2001 in Ankara (Turkey). The Strategy Paper he prepared on Strengthening Regional Cooperation in the ECO Region was distributed among the member states. The member states were supposed to design their versions of ECOTA in the light of proposals contained in the Strategy Paper. So far Turkey, Iran, Kyrgyz Republic and Pakistan have sent versions of ECOTA. The second step as envisaged in the consultancy ToR is the compilation of national versions of ECOTA into one draft working document for necessary deliberations in the 4<sup>th</sup> HLEG meeting. The meeting was held and a progress was made to this effect.

Training on Technical Writing (No. 6)

108. The selected consultant Ms. Jenifer Thain, visited the Secretariat on 28 October-9 November, 2000. The consultant tested the grammar and writing in English of ECO staff and then she interviewed each staff member and has collected some materials to evaluate the work they were doing in English at the Secretariat. She presented a report and the findings at the end of her mission. The report was reviewed extensively in the Secretariat and was decided to equip the library with books of language training courses for the staff to consult these books at leisure. The books have been purchased by UNDP and delivered to ECO Secretariat. The books are available now in the ECO Library.

Cooperation on Railroad Rolling Stock Production, Repair & Maintenance (No. 7)

109. The selected consultant Mr. Paul Stanley Power, visited the Secretariat on 14-22 July, 2001 and prepared his reports. The reports have been distributed among the member states. Now the Secretariat requested UNDP to arrange a consultant for the second phase of the project on the basis of the ToRs prepared by the consultant. UNDP did not fund the 2<sup>nd</sup> phase.

Cooperation in Telecommunications Research & Designing of Equipment (No. 8).

110. The selected consultant Mr. David Mattiske, conducted his consultancy on 2-11 February, 2001 and submitted his report. The report was circulated among the member

states. Turkey and Kyrgyzstan have sent their comments. Turkey has expressed dissatisfaction over a number of the recommendations of the consultant. It was not agreed with the consultant's proposal to visit Turkey. These views will be given due consideration while deciding about 2<sup>nd</sup> phase of the consultancy. Even the Secretariat found the report lacking and the consultant incompetent.

Implementation of ECO Transit Transport Framework Agreement (TTFA) (No. 9)  
Implementation of ECO Transport Trade Agreement (No. 10)

111. The selected consultants Messrs. Michael Welling and Glyndwr John Evans visited the Secretariat on 25-28 August, 2001 and studied the relevant documents. They submitted their draft reports. An assessment report was circulated to member states.

Training on Macro-Economic and Regional Development Analysis (No. 11)

112. The selected first and the alternate consultants for the consultancy were not able to perform the job. So no implementation was done.

Regional Cooperation on Energy & Environment Security (No.12)

113. Since CVs were not available so the implementation of the consultancy did not start.

Regional Cooperation on Minerals Security (No.13)

114. The selected consultant Mr. Legg, for the first phase he visited the Secretariat, Tehran and Turkey on November 30 – December 5, 2001. If UNDP approves extension for this consultancy, the same consultant may visit two other member states and then issue the relevant paper. Nevertheless, the consultant will be asked to send the report.

World Bank (WB) mission to establish Live Data base in the Secretariat

115. The consultants from World Bank, Mr. Tariqul Islam Khan and Mr. Shahin Otadi, visited the Secretariat on 7-27 August, 2001. They established Live Data Base System of World Bank at the Secretariat and trained the ECO staff how to use the system.

Information Technology and Library

116. Substantive work has been accomplished in the area of Information Technology field with technical and financial assistance provided by UNDP under the UNDP/ECO "Capacity Building of the ECO Secretariat". These initiatives had direct bearing on efficiency and effectiveness besides improving the working of the Secretariat.

Second Phase of UNDP-ECO Project

117. UNDP Capacity Building Project terminated in 2001 and the new phase of UNDP ECO cooperation initiated in 2002. The Directorate worked with UNDP and finalized a project document which envisages 10 projects to be implemented in the field of Trade and Transportation. The Directorate is also organizing selection of international consultants, provision visas for their field visits to the member states and other arrangements for the smooth implementation of the project. The said 10 projects are as follows;

- i. ECOTA Framework Document Covering Status of Non-tariff Barriers and Harmonisation of Tariffs and Transit Fees in the ECO region
- ii. Finalise the Ongoing ITC Activities
- iii. Identification of Direct Investment Potential of ECO member states
- iv. Business Plan for ECO "Trade and Development Bank"
- v. Business Plan for ECO "Reinsurance Organization"
- vi. Enhance Implementation of the TTFA System
- vii. Simplification of ECO Customs Organization and Procedures
- viii. Transport Linkages Development
- ix. Border Points Constraints Identification
- x. Trade Information System Development

#### Cooperation with ECO-CEC

118. With the blessings of the governments of all the ECO member states, a central resource pool was created in the shape of ECO Consultancy and Engineering Company (Pvt) Ltd., or ECO-CEC, to participate in the development projects to be sponsored by ECO member states and ECO Investment and Development Bank. The ECO founder states; Iran, Pakistan and Turkey hold an equal share in ECO-CEC: Turkey being represented by two companies and Iran and Pakistan by one each.

119. ECO-CEC is a joint venture between an Iranian company, PIDEK and TURKPEK, which itself is a joint enterprise between two Turkish companies, TUMAS, TUSTAS and one Pakistani company NESPAK. The Iranian company holds one-third equity shares of ECO-CEC, while the rest lie with TURKPAK. The equity holding of TURKPAK is divided equally between Turkey and Pakistan,

120. The Iranian and Turkish companies specialize mainly in oil and gas pipelines, refineries, petrochemical and industrial engineering, while the Pakistani partner in all other fields of development engineering, including communication, power, urban development, public health, telecommunications, water resources development and agriculture.

121. The combined talent resource of the four partners totals well over 3,500 people, outstanding professionals in their particular fields of specialization, which can be drawn on for the specific needs of any ECO-CEC project, large or small.

122. Since its inception ECO-CEC has tried to get foothold in the ECO related development activities. So far it has not been able to secure any consultancy, although member states are pursuing many projects in their areas. The company remains keen to promote and develop experts and for this is preparing to hold a conference on the role of the ECO-CEC in the member states.

123. The Directorate organized a Conference on ECO-CEC's role in the development of member states in Lahore on March 27-29, 2002. The Conference attracted wide participation from private sector and a full session was devoted to presentation from reputable firms in the field of reconstruction of road transportation projects, dams as well as power transmission and airports. Their presentations were relevant to the long term planning of the ECO member states.

124. The Conference, inter-alia, discussed the ECO-CEC's possible role in the Inter-Connection and Parallel Functioning of Power Systems of ECO member states project. In this respect, reference was made to similar two projects titled "Inter-Connection Studies for Coal Fired CEPA Power Plant" and "Power Inter-Connection between Pakistan and India" and NESPAK's role in the development of the National Grid System in Pakistan. The participants strongly recommended to the ECO Secretariat to ensure the participation of ECO-CEC in ECO/IDB Inter-Connection and Parallel Functioning of Power System of ECO member system project. Necessary action to this effect will be taken by the relevant Directorate in ECO Secretariat.

125. The Directorate is trying to get consultancy service for ECO-CEC for the project on Power Interconnection of the ECO member states. The Directorate has included in its programme to organize and other ECO-CEC event next year in Turkey.

#### ECO Feasibility Fund

126. DPR is also responsible to make arrangements within the framework of the ECO Functional Methodology to use the ECO Feasibility fund for financing feasibility studies of ECO priority projects. In this respect, it coordinated action with other sectoral units and obtains CPR's approval. So far only \$ 50,000.- (fifty thousand Dollar) has been allocated for the ECO/ITC Promotion of intra-trade Project. The project is progressing and the details can be seen in the Trade Section.

#### Publication of the ECO Projects Document

127. The Directorate publishes a booklet titled ECO Projects. The information on each ECO Project includes background, name of the signed document with date, the objective, total cost and the financing sources, as well as status of the project. It is a routine publication which neither entails high cost nor too much labour. However, it comes handy when a request has to be made to a donor.

#### Activities in the field of training

128. The Directorate has conducted various training courses for ECO staff within the framework of the Capacity Building Project.

Preparation of ECO Directory of Training Institutions and Roster of Leading Experts/Consultants of the member states

129. For the Directory of Training Institutions, the ECO Secretariat has received information from the Islamic Republic of Iran, the Islamic Republic of Pakistan, the Republic of Turkey and Turkmenistan (only in the field of education).

130. With regard to the proposed Roster of Leading Experts and Consultants, the Secretariat has only received information from the Islamic Republic of Iran, the Islamic Republic of Pakistan and the Republic of Turkey.

131. The information received from the member states has been compiled in a format on sectoral basis and will soon be circulated among member states.

Directorate of Project Research

132. Established in 1998, the Directorate has been functioning as a focal point for inter sectoral coordination among various departments of the ECO Secretariat to implement ECO decisions and policies. In this respect, the Directorate is preparing follow-up reports on the decisions of Regional Planning Council (RPC), Council of Ministers (COM) and other Ministerial meetings and CPR. In the same manner, the Directorate is preparing a consolidated annual calendar of events and annual work programme of the Secretariat as stipulated in ECO Basic Documents and submit the same to CPR, RPC and COM meetings for approval. The Directorate also follows up on the implementation of events and the work programme and submits status report to Secretary General and member states. Moreover, the Directorate prepares and submits a list of priority projects to be supported by Special Support Fund (SSF) to CPR for approval.

133. DPR made all necessary preparations including agendas, draft reports working papers etc. for meetings held during the 2001 and 2002 in respect of Working Group to assist CPR, CPR meetings, (51<sup>st</sup> – 69<sup>th</sup> meetings of CPR), 11<sup>th</sup> and 12<sup>th</sup> RPC and 11<sup>th</sup> and 12<sup>th</sup> COM, 7<sup>th</sup> ECO Summit and 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> meetings of Working Group Senior Officials (WGSO).

134. DPR prepared and submitted to CPR in 2001 and 2002;

- a) Report on the Implementation of the Decisions of 11<sup>th</sup> COM meeting,
- b) on the Implementation other Ministerial meetings and
- c) recommendation for ECO events to benefit from Special Support Fund (SSF).

135. The Directorate was assigned the coordinating role at the committee established at the ECO Secretariat pursuant to the decision of CPR to work on how ECO can participate in reconstruction of Afghanistan. The Directorate prepared a strategy paper on ECO's participation in reconstruction of Afghanistan and submitted it to CPR. The paper as per the decisions of CPR will also be submitted to 12<sup>th</sup> COM meeting for consideration.

#### Status of Agreements/MOUs

136. The Directorate in cooperation with the other units in the Secretariat prepares status report on signed Agreements/MOUs for submission to the decision-making organs of ECO i.e. CPR, COM etc.

#### Partnership and Dialogue Observer Status

137. The Directorate prepared a status report on the draft Modalities for Granting Observer Status to be submitted to 4<sup>th</sup> WGSO and CPR.

#### Use of private Consultancies

138. In accordance with the WGSO decisions, the Directorate, with the coordination of other ECO units prepared/compiled and circulated the following list of projects in priority areas on May 20, 2002 to be considered by the member states for utilization of professional consultancies.

1. Promotion of Investment among the member states
2. Trade & Investment Information Networking System for ECO Region
3. Establishment of disease surveillance mechanism in the ECO member states
4. Regional survey to determine exportable surpluses and importable deficits necessitating imports of agricultural commodities
5. Preparation of a Directory/Guidebook on ECO Road Network to help drivers of road transport to be published in English and Russian
6. To conduct a study in close cooperation among ECO member states for the development, production and maintenance of rolling stocks of the region and other railway equipment taking into consideration the traffic demand and the future direction of trade flows
7. Transit Transport Framework Agreement (TTFA) and Transit Trade Agreement (TTA)
8. ECO Oil and Gas Pipeline Route(s)
9. Caspian Sea Water Pollution Control
10. Semipalatinsk Nuclear Test Ground Rehabilitation Project
11. New and Renewable Sources of Energy (NRSE).

#### List of high priority events

139. In accordance with the WGSO decisions, the Directorate, with the coordination of other ECO units prepared/compiled the following list of high priority events for which

no hosts were available for extending full hospitality to participants by utilizing ECO Special Support Fund (SSF) and provided CPR approval in this regard.

1. 5<sup>th</sup> HLEG meeting on Tariff & Non-Tariff Barriers (TTB)
2. 3<sup>rd</sup> Seminar on Trade & Investment Information Networking in the ECO Region
3. 1<sup>st</sup> meeting of ECO Permanent Commission on Transport and Communication (PCTC)
4. 6<sup>th</sup> SETG meeting on Interconnection and Parallel Functioning of Power Systems of ECO Member States
5. Workshop on Diagnosis of Livestock Diseases
6. Seminar on Economic benefit and the need for developing strategic action plans for promotion of ECO priority projects

#### Additional activities

- a) The Directorate has scheduled a Seminar on Economic benefit and the need for developing strategic action plans for promotion of ECO priority projects to take place in November 2002 at the Secretariat and invited the focal points of ECO from the Ministries of Foreign Affairs of member states
- b) The Directorate included in its programme to organize a training course on ESCAP modalities for project and pre-feasibility outlays for ECO member states in Tehran.

## **ECONOMIC RESEARCH AND STATISTICS**

### Objectives

140. Since its inception in February 1998, the Directorate of Economic Research and Statistics (DERS) has been pursuing joint cooperation among the member states in the fields of economic research and statistics. Within its mandate, the Directorate makes effort for collection and dissemination of socio-economic and statistical data concerning member states. The Directorate strives to improve the flow of statistics and information from the National Statistical Organizations to the Secretariat and back.

141. The Directorate also undertakes analytical studies and policy-oriented research on issues related to the region's socio-economic progress with a special focus on macroeconomic issues. It endeavors to identify the potential for regional economic cooperation and assist member states in implementing measures to achieve such cooperation. The Directorate has set off to undertake indigenous research studies on the socio-economic situation, potential and development of the member states, at the country and sectoral levels. These researches aims to place special emphasis on Trade, Energy, Food and Agriculture, Industry, Infrastructure, Transport and Communication with a view to bring forth existing possibilities of cooperation, as well as generate proposals for new ones.

142. The Directorate is pursuing and planning projects for coordinating various aspects of economic research and statistical activities in the region. In order to strengthen cooperation and establish a common approach among the member states in the area of economic research and statistics the DERS had identified National Focal Points (NFPs) for effective performance of necessary cooperation.

#### Tasks implemented

##### National Focal Points (NFPs) on Economic Research and Statistics

143. NFPs identified by the member states in the fields of economic research and statistics emerge as a useful, and strong forum that meets regularly every year. The NFPs meeting not only provides valuable contributions to the activities of the Directorate but also acts as a reference of Directorate in the fields of economic research and statistics. Within this conjecture, the NFPs meetings provide proper opportunities to review and assess national economic and statistical activities, identify common concerns and issues, develop regional approaches to address new challenges and strengthen coordination in this regard. The main issues and activities of the DERS are programmed during these meetings attended by experts designated by the member states. The three NFPs meeting held so far set out important targets in the fields of economic research and statistics. However, so far full attendance by the NFPs to these meetings has not been achieved.

##### Preparation and publication of ECO Annual Economic Reports

144. Four issues of the ECO Annual Economic Reports comprising information on the ECO region macro-economic performance along with recent developments in the Member States for the years 1997, 1998, 1999 and 2000 had been published. The ECO Annual Economic report for the years 1999 and 2000 were published after 11<sup>th</sup> COM. The draft Report for the year 2001 has been distributed.

145. The Directorate is working on the subsequent issue of the said Report. Generally, the draft content of ECO Annual Economic Report for 2001 is based on the contents of the same report for the year 2000.

##### Preparation and publication of ECO Statistical Yearbook

146. The list of socio-economic indicators was prepared and circulated by the Directorate for data collection, will constitute the main content of the said publication.

147. The ECO Secretariat had incorporated the recommendations and amendments in the list of socio-economic indicators approved by 3<sup>rd</sup> NFPs meeting and 11<sup>th</sup> RPC meeting. The ECO Secretariat is making progress in its efforts to collect the missing statistical data. Based on data collected from the member states through the above-mentioned list, the Secretariat continues to construct the aggregate summary tables included in the content of statistical yearbook. As a supplementary material for this



Yearbook, DERS is also preparing a Guidebook on Methodological issues used in the member states on calculation of main socio-economic indicators.

#### Preparation of ECO methodological guidebook

148. The Directorate had initiated to adopt a common approach on methodology/calculation and collection/dissemination relevant statistical data in the ECO region with the objective to:

- i. Assist to develop statistical systems of ECO member states, with a view to evolve a common methodology on calculation/collection and dissemination of statistical data in the ECO region.
- ii. Improve the relevance and accuracy of economic and social data.
- iii. Promote the use of standardized reporting procedures and comparable statistics through the implementation of the recommendation of international statistical systems and programmes, in particular, the 1993 System of National Accounts, the International Comparison Programme and the 2000 round of population and housing censuses.
- iv. Improve the reliability and comparability of statistical information and data in the ECO region and accessibility to them for planners and researchers.
- v. Develop statistical and textual databases in various socio-economic fields.

149. The Directorate recognizes the implementation of above-mentioned objectives as long-term process. At the initial stage, the member states were requested to submit their meta-data information along with index definitions used in their countries for compilation of statistical data pertaining to the list of socio-economic indicators.

150. The Secretariat selected a consultant to assess the present situation and put forward certain approaches to accomplish the improvement of statistical yearbook and necessary methodology clarification. The consultant visited the Statistical Center of Iran and Statistical Agency of Kazakhstan in order to discuss the contents of the ECO Statistical Yearbook, unification of methodology of calculation and dissemination of main socio-economic indicators in line with international standards and recommendations, data collection methods and definitions used in the member states. The final report of the consultant will be circulated among the member states as soon as received.

#### Tasks which have been planned but could not be implemented due to some difficulties

151. Unfortunately none of the member states volunteered to host the 4<sup>th</sup> meeting of NFPs in the year 2001. According to the recommendations of 11<sup>th</sup> RPC the Directorate decided to organize the event at the ECO Secretariat on non-hospitality bases. Despite the efforts undertaken by Directorate the meeting of NFPs was not held due to lack of quorum. The Directorate initiated this meeting several times but due to NFPs budget

limitation ECO member states could not confirm their participation. In this connection, this question was discussed on 12<sup>th</sup> RPC. The Council recommended to the ECO Secretariat to arrange necessary financial support from its resources to cover the full expenses for at least one participant from new Member States to ensure the scheduling of 4<sup>th</sup> NFPs meeting in 2002 which was postponed thrice last year due to lack of a host and quorum.

ECO recommendations regarding how to remove those difficulties should be included

- The member states are requested to effectively participate in the activities of the Directorate and promote the objectives and plans of the ECO Secretariat in the area of research and statistics.
- In view of the importance of the 4<sup>th</sup> meeting of NFPs the member states are requested to advise their respective NFPs to fully cooperate with the ECO Secretariat in this regard.

Sectoral activities with regard to international agencies

152. Within the framework of UNDP-ECO Capacity Building Project two consultants were selected to assist the ECO Secretariat to design and implement the ECO Joint Economic Research Programme and to assist in the harmonization of statistical activities in the ECO region.

153. The Directorate, in collaboration with UNESCAP, is co-organizing Training Workshop on the “implementation of the 1993 System of National Accounts (SNA)” in Ankara.

**Section-III**

**Agreements**

Treaty of Izmir

154. The Treaty of Izmir which forms the basis of the Economic Cooperation Organization has been signed by all 10 member states. The Kyrgyz Republic has now informed the Secretariat that they have delivered the instrument of ratification to the Ministry of Foreign Affairs for transmission to the Ministry of Foreign Affairs of the Islamic Republic of Iran. The ratification is still awaited from Afghanistan, Turkmenistan and Uzbekistan. Annex-I describes the latest status of ratification of the ECO agreements.

Transit Trade Agreement

155. The Agreement (TTA) adopted in 1995. So far all member states excepting Afghanistan and Uzbekistan have signed and ratified the agreement. As per agreement TTA should have been implemented but it remains un-operational due to inherent

problems. These problems relate to establishment of guaranteeing associations acceptable to respective Customs. Lately progress has been made to this effect, still a lot has to be done.

156. The 5<sup>th</sup> meeting of the Transit Trade Committee and 2<sup>nd</sup> Sub-Committee on the implementation of TTA held in Tehran on August 31, 2002 further discussed the implementation of the TTA. The participants appreciated the decisions of the 12<sup>th</sup> RPC meeting (March 6, 2002) to set up an experts level group including representatives from Custom, Transport authorities and the private sector to reconcile the differences between TTFA and TTA and harmonize the for early operationalization. The meeting also agreed by a majority vote that the differences especially between Article-10 of TTA and Article-28 of TTFA may be looked into by the Custom authorities of the member states with the intention of revising the same to evolve a more harmoninous relationship between the two ECO transit agreements. \_

157. The Secretariat feels that TTA should have been implemented by now. The countries which have not introduced their Guaranteeing Association are requested to do so without any further delay.\_

#### Framework Agreement on Trade Cooperation (ECO-FAT)

158. This agreement was signed in March 2000 in Tehran by all the ECO member states except Turkmenistan and Uzbekistan during the first ECO Ministerial meeting on Commerce/ Foreign Trade. The objective of this agreement is to enhance ECO trade cooperation with a view to sustaining economic development of the member states. The said agreement also lays down the principles of intra-regional trade cooperation and envisages a gradual reduction of tariff barriers and elimination of non-tariff barriers through the ECO Trade Agreement (ECOTA).

#### ECO Trade Agreement (ECOTA)

159. The first draft of this agreement was reviewed by the 4<sup>th</sup> meeting of High Level Experts Group (HLEG) on Tariff & Non-Tariff Barriers in the ECO region, held in Almaty (Kazakhstan) on September 9-10, 2002. After intensive deliberations, the member states requested the ECO Secretariat to redraft some of the provisions of the proposed agreement in the light of their discussions. The second draft of ECOTA will be considered in the 5<sup>th</sup> HLEG meeting, scheduled to be held early next year in Tehran (Iran).

#### Agreement on Simplification of Visa Procedures for Businessmen of ECO member states

160. This agreement was signed in March 1995 by all the ECO member states except Kyrgyzstan, Tajikistan and Uzbekistan. The objective of this agreement is to facilitate the travel of businessmen within the ECO region. This agreement is presently being implemented by Iran, Kazakhstan, Pakistan and Turkey only. However, it may be

mentioned here that owing to frequent changes in the visa policies of the signatory member states, this agreement needs to be constantly reviewed and suitably amended as and when warranted by the changed circumstances.

#### **Section-IV**

### **INTERNATIONAL ACTIVITIES**

161. There is a large number of Regional Organizations like ECO competing in international arena for funds, technical assistance and support available with International Financial Institutions, donor agencies and donor countries. ECO needs to work hard to compete for scarce resources present internationally.

162. However, ECO's major benefactors have been UNDP, Islamic Development Bank, UNDCP and ITC. ECO has meaningful relationship with United Nations social Commission for Asia and Pacific (ESCAP), United Nations Conference on Trade and Development (UNCTAD) and Food and Agriculture Organization (FAO). ECO is also trying to develop its relations with, United Nations Economic Commission for Europe (UNECE), Colombo Plan Secretariat and ASEAN. ECO would soon carry out a study on finding ways and means of concretizing ECO's relationship with ASEAN as this project has been approved by the 7<sup>th</sup> ECO ASEAN Joint Ministerial Meeting.

163. UNDP is an important partner of ECO. ECO is involved with it in a million dollar project on the Capacity Building of ECO Secretariat. Various consultancies are being undertaken under this project; and several, at least ten, are going on, at the moment. Secretary General of ECO has called on its Regional Director in New York this year and persuaded him to extend the tenure of the present project so that all consultancies could be implemented and the fund available would not expire. The next three year program was also discussed in the meeting.

164. With the Islamic Development Bank, ECO has concluded until now two grant agreements amounting to \$ 672,000. A \$ 400,000 grant agreement to carry out the feasibility study for connecting power systems of ECO countries was signed in September last, while a \$ 272,000 technical assistance grant agreement was signed earlier for carrying out feasibility study on introduction of Multi-Modal Transport Operations in the ECO region.

165. With UNDCP, ECO has a project worth nearly \$ 800,000 on establishing Drug Control Coordination Unit in the Secretariat. The first phase has been implemented and soon the 2<sup>nd</sup> phase will start. The project will go a long way in contributing towards efforts to combat trafficking in illicit drugs in the region.

166. International Trade Centre is helping ECO in expanding trade amongst ECO member states through a project signed between the two sides. A product selection workshop was held in March last year with its assistance during which a priority list of product groups having the maximum potential for trade was prepared. Based on its results, 1<sup>st</sup> Buyer Sellers Meeting was held in respect of textile & clothing sector in

Istanbul in October last year. The spade work of demand/supply surveys was carried out before this.

167. The Buyers/Sellers meeting was attended by nearly 100 companies from our member states. All of these companies made useful contacts with each other. Confident with the success of this meeting, ECO plan to organize another such meeting in the field of food products and agriculture, next year, in Almaty.

168. As part of the implementation of this project, there will be an ECO Business Forum Meeting on the sidelines of 7<sup>th</sup> Summit. In this meeting, the participating private sector will review trade constraints in the region. They will also recommend ways to the government officials, to remedy the situation.

169. There are several other initiatives in the region too, like marketing missions, trade fairs etc. this organization has been engaged into. ECO will also participate in ITC's Regional Trade Promotion Program for Central Asian CIS Member Countries.

170. The United Nations Economic and Social Commission for Asia and Pacific (UNESCAP) is another important organization with which ECO is involved. This UN body covers a large stretch of countries from East to West Asia. ECO is involved with it in Multi-Modal Transport Project. It also provides ECO technical assistance in a variety of sectors and sends its experts in ECO seminars and workshops.

171. Another important activity carried out under this umbrella is the Annual Meeting of Heads of Regional Organizations and ESCAP. The strength of membership of five regional organizations that participate in this meeting is 43 countries. ECO, SAARC, ASEAN, Pacific Forum and ESCAP participate in its deliberations. All sorts of economic and social issues are discussed and decided.

172. The Secretary General participated in its 7<sup>th</sup> meeting in Bali a month ago and saw enormous opportunities to increase cooperation with the regional organizations involved. The 8<sup>th</sup> meeting, is going to be held the ECO Secretariat in Tehran, next year and it would be a good opportunity for ECO to lead the discussion in the interest of ECO.

173. With UNCTAD, ECO is involved in multimodal transport study project, in collaboration with IDB and UNESCAP. Also ECO has received technical assistance from UNCTAD in transit trade arrangements. This organization has also used ECO's expertise to promote TIR Convention in the region.

174. Similarly with Food and Agriculture Organization ECO is involved in several ways. ECO supported the World Food Summit resolution in Rome in June 2002. They organized a side event for ECO exclusively, on the sidelines of the Summit. The occasion provided an opportunity to understand each other's point of view. Now ECO is involved in discussions with them in a technical assistance program for agriculture development and Food Security for ECO member states amounting to US\$ 309,000.

Donors are being sought to fund the program and presently ECO is involved in discussion with both IDB and FAO in this regard and chances of finding a suitable donor is high.

175. There have always been some good proposals about ECO's relations with the international organizations put forth from member states. Unfortunately, its follow up mechanism has remained weak. ECO wants to have a regular mechanism of consultations with the international organizations as it has with UNDP and UNDCP so that the movement towards greater realization of ECO's objectives vis-à-vis these international organizations do not discontinue at the signing of the Memorandum of Understanding with them.

## **Section –V**

### **Agencies**

#### **ECO Trade & Development Bank (ETDB) and**

#### **ECO Reinsurance Company (ERC)**

176. The agreement to establish the ECO Trade & Development Bank (ETDB) was signed in March 1995 in Islamabad (Pakistan) between Iran, Pakistan and Turkey. This institution has not so far started its operation owing to non-completion of certain legal and administrative formalities. According to Article 10 of the MOU on the establishment of ECO Reinsurance Company (ERC), both the institutions i.e. ETDB and ERC would be established simultaneously. Keeping in view the present implementation status of these two institutions, it is proposed that the relevant Interim Committee meetings on their establishment may be convened by Pakistan and Turkey at the earliest.

#### **ECO Air:**

177. In pursuance of the Council of Ministers' decision as incorporated in the Quetta Plan of Action adopted on 7 February, 1993 and its endorsement during the 2<sup>nd</sup> ECO Summit held in Istanbul on 8 July, 1993, the Agreement and Articles of Association in respect of the ECO Airline were signed in Islamabad on 15 March, 1995 by Afghanistan, Iran, Pakistan and Turkmenistan.

178. The above Agreement envisaged registration of the Company in Tehran with its branches in member states

179. The 1<sup>st</sup> meeting of ECO Civil Aviation Authorities and Heads of National Airlines was held in Karachi (Pakistan) on 12-14 February, 2001. Taking into account the huge funds needed for implementation of ECO Air Project and the inability of the member states to provide such funds, the meeting unanimously concluded that further development of this project was not feasible.

180. Instead the meeting recommended formulation and adoption of on ECO Framework Agreement on cooperation in the field of air transport in order to increase effectiveness of the air services in the ECO region.

181. In this connection, the meeting welcomed the initiative of the delegations of Kazakhstan, Pakistan and Turkey to prepare their version of the draft Framework Agreement and submit the same to the ECO Secretariat by 1 may, 2001 to enable it to translate these drafts into Russian/English and circulate among the member states by 15 May 2001.

182. The relevant authorities of Kazakhstan, Pakistan and Turkey were requested eight times to furnish their version of the draft Framework Agreement on cooperation in the field of air services. Only Kazakhstan provided its version of the agreement by 1 July 2002 and this version was circulated among the member states vide ECO Secretariat's Note Verbale No.DTC/CAA/020708 dated July 8, 2002.

183. However, two weeks before the commencement of the Expert Group meeting (according to ECO Rules of procedures) only Kazakhstan, Kyrgyzstan, Pakistan and Azerbaijan confirmed their participation in this meetings officially. Turkey sent the information that it would not be able to participate in these meetings due to other commitments.

184. Taking into account the above-mentioned circumstances, the Civil Aviation authorities of the Islamic Republic of Iran postponed the meeting. Also, Iran indicated its disappointment over the non-availability of other versions as well as lack of new ideas in the version circulated by the Secretariat. Nevertheless, the Civil Aviation Authorities of the Islamic Republic of Iran later reconfirmed their readiness to host both these meetings separately in December, 2002, and in April 2003.

185. The ECO Secretariat, in consultation with the host authorities, has proposed vide ECO Secretariat fax message No.DTC/CAA/020811/1 dated August 11, 2002 for the Expert Group meeting to consider the draft Framework Agreement on cooperation in the field of Air Transport in the ECO region in Mashhad on December 9-11, 2002 and April 2003 for the 2nd meeting of the Civil Aviation Authorities and Heads of National Airlines.

#### ECO Shipping Company:

186. The Agreement on the establishment of the ECO Shipping Company was signed in Islamabad on 15 March 1995 by the Governments of only six member states, namely Afghanistan, Islamic Republic of Iran, Kazakhstan, Kyrgyzstan, Pakistan and Turkmenistan.

187. Primarily on the basis of the Iranian contribution (\$350000) the Company was able to start its operation in Persian Gulf on 9 March 1996.

188. Since September, 2001 there is a problem between the ECO Shipping Company and Terra Marine Company. Also, there have been serious debates underway in CPR regarding the justification for revising the Articles of Association of the Company and the internal auditors.

189. The 1<sup>st</sup> meeting of the Committee assigned to consider the ECO Shipping Company's issues held at the ECO Secretariat on 26-27 May, 2002. The meeting decided to invite the extraordinary meeting of the General Assembly of the ECO Shipping Company and to consider proposals of share holders and come to a decision on the future of the company in the last week of June 2002. The Extraordinary meeting of the General Assembly of the ECO Shipping Company was not held as scheduled.

190. The 4<sup>th</sup> ECO Ministerial meeting on Transport and Communications (Izmir, 26-27, 2002) discussed the present and future potentials of the ECO Shipping Company. In view of the reduced financial support from the signatory countries, some delegations proposed that only the participating states who had paid equity share should be authorized to decide upon the affairs of the Company. The Iranian delegation proposed that in case of non-contribution from the signatory states, the participating countries i.e. Islamic Republic of Pakistan and Islamic Republic of Iran would be prepared to convert the said company into a joint venture under the same title with the possibility of re-joining by ECO member states at a later stage, if considered appropriate. The delegations of the signatory member states endorsed the Iranian proposal.

#### ECO Cultural Institute

191. The Charter of the ECO Cultural Institute was adopted by the Council of Ministers (COM) in their meeting held on January 21-23, 1995 and was signed on March 15, 1995 in Islamabad during the Third ECO Summit.

192. Afghanistan, Azerbaijan, Iran, Kazakhstan, Pakistan, Tajikistan, Turkey and Turkmenistan have signed the Charter. However, only Afghanistan, Iran, Pakistan and Tajikistan have so far ratified the Charter of the Institute.

193. The first meeting of the Board of Trustees of the ECO Cultural Institute was held in Tehran on October 22-23, 1996. The second meeting of BOT was held on 25-26 January 2000. The ECO Culture Institute is in the process of organizing its third meeting and is in contact with the government of Iran.

#### ECO Science Foundation

194. The Charter of ECO Science Foundation was signed during the Third ECO Summit held in Islamabad on March 15, 1995. All the ten member states have signed the Charter. However, so far, only Azerbaijan, Iran, Pakistan, Tajikistan and Turkmenistan have ratified the Charter of Foundation. Government of Pakistan has to announce its first meeting of its Board of Trustees.



## ECO Educational Institute

195. Except Uzbekistan, all the ECO Member States had signed the Charter of the Institute on the occasion of the 8<sup>th</sup> COM Meeting and the Fifth ECO Summit Meeting held in Almaty on May 11, 1998. So far, only Iran and Tajikistan have ratified its charter.

## ECO Regional Institutions

### ECO College of Insurance

196. The ECO College of Insurance, formerly RCD College of Insurance was reopened in 1991. The College located in Tehran is affiliated with the Allamah Tabatabai University. The College is at the moment catering the Insurance training needs of the ECO member states. The subjects of study include economics, law, management, applied sciences, accounting, finance, and insurance leading to a Bachelor of Science degree in Insurance Management. Students from the ECO Member States except Iran are exempt from entrance test for admission in the College.

## **Section-VI**

### **Administration**

#### Objectives

197. The quality of management and administrative machinery at the ECO Secretariat impact on its efficiency and performance. A lot is needed to improve the recruitment rules, giving more powers to the Secretary General in the selection process. Sometimes the tenures of ECO staff come to an end, without prompt replacements from member states. For instance, the Selection Board has not been able to finalize the replacements for about 14 staff members whose tenures expired 4-6 months ago.

198. The member states are requested to adopt remedial measures without forsaking their long term national interests and strategies. Indeed, the delay and uncertainty around this issue will adversely affect the efficiency of the concerned staff.

199. Also, in keeping with the limited budget of the organization, the Secretariat would like to propose temporary secondment of experts from the member states at their own expense to be requested by the Secretary General, for development and implementation of our sectoral projects. The Secretariat will devise necessary terms of reference for such experts. This mechanism will help inject more efficiency and culture of professionalism in the working of the Organization without burdening its budget. The same mechanism was proposed at the 4<sup>th</sup> Ministerial meeting of Transport and Communications held recently at Izmir and the response from the honourable Ministers was highly positive.

## **Section-VII**

## **Budgetary contributions**

### **Budgetary contributions**

200. The member states have not been paying their mandatory financial contributions for some years now.

## **Section-VIII**

### **Publicity**

201. On assumption of the Office of the Secretary General on July 15, 2002, he emphasized the need to publicize ECO at national and international levels through sustained mass media campaign. To some extent, the campaign has produced results but still a lot remains to be done . For the first time on the initiative of ECO an item entitled “Need for public participation and regional cooperation efforts” was included in the agenda of the Seventh Consultative Meeting among Executive Heads of Subregional Organizations and ESCAP, 6-7 September, 2002. The Secretary General led the discussion on the subject and highlighted ECO’s role in promoting cooperation between its member states.

202. Public awareness about the ECO’s activities can be enhanced in the member states by organizing round table conferences on different ECO activities. The member states may also present their considered view and proposals how to popularize ECO as a regional institution in member states.

203. The ECO Secretariat has taken a number of measures to publicize the organization. In this regard a well resourced website <http://www.ecosecretatira.org> has been developed. The website is up dated on regular basis. In collaboration with UNDP ECO is pursuing implementation networking of ECO Secretariat with diplomatic missions of the member states in the first phase and extension of the same link to Foreign Ministries in the capitals in the second phase. Recently, the Secretary General had met the UNDP people in New York and the UNDP response to this proposal was positive.

### **Publications**

204. The Secretariat is emphasizing the need to bring out publications on the activities of the Secretariat. A two pronged policy is adopted in this regard. The Sectoral activities are covered in book form. The day to day coverage and the reports of ECO events are publicized through ECO Bulletin which is published on quarterly basis.

205. Recently the Secretary General has established a Management Board to rationalize the ECO publications including ECO Bulletin. Coordinators have been appointed who would report to the Management Board consisting of three Deputies

Secretaries General with Secretary General as the Chairman. During the 7<sup>th</sup> ECO Summit, the Secretariat plans to hold an exhibition of publications prepared by the ECO Secretariat along with reports on ECO events published by agencies other than the ECO Secretariat along with a photographic exhibition depicting glimpses from the ECO history would be put up. To mark the 10<sup>th</sup> Anniversary of the expansion of ECO and the scheduling of the 7<sup>th</sup> Summit, the Secretariat has published a book entitled “Decade of Progress” which will be made available to all participants.

206. The objective of the ECO activities in the field of publications is to increase the awareness of ECO as an effective regional organization among the member states as well as the international community. Member states are requested to present their proposals how to make these publications more effective and attractive so that the objective could be achieved.

#### ECO awards

207. ECO grants awards to nationals of its constituents member states for excellent contribution in the field of Economics, History, Culture, Literature and the Fine Arts, Science and Technology, Education and Agriculture and Environment.

208. The Secretariat prepared an informative note on the Selection Committee in pursuance of the 63<sup>rd</sup> meeting of CPR. The last such Awards were distributed in 2000 on the occasion of the 6<sup>th</sup> ECO Summit in line with the modalities of Awards approved by the Council of Ministers on 11May, 1998.

209. It was decided that the ECO awards would be distributed on the occasion of the 7<sup>th</sup> ECO Summit scheduled to be held in Turkey in October 2002

210. The issue of Awards came up for discussion in many CPR meetings as the Secretariat found it difficult to go through the details of each research work from nearly 50 nominees and therefore suggested short-listing of the candidates on merit in different fields of excellence by each member states. A decision to this effect was taken which held the meeting of the Selection Committee on August 27-28, 2002. After two days of deliberation, the committee unanimously decided on the following:

1. One award of US\$ 7500, in the field of Agriculture and Environment will go to Mr. Ezotollah Karimi of Islamic Republic of Iran.
2. One award of US\$ 7500, in the field of History, Culture and Fine Arts will go to a team comprising Prof. Dr. Nuran Zeren Gulersoy, Prof. Dr. Azime Tezer and Prof. Dr. Reyhan Yigiter of Republic of Turkey.
3. One award of US\$ 7500, in the field of Science and Technology will go to Dr. Riazuddin of Islamic Republic of Pakistan.

4. One award of US\$ 3000, in the field of Science and Technology will go to Mr. Rustamov Musa Ismailoglu of Republic of Azerbaijan.
5. One award of US\$ 3000 will go to Mr. Zakirjan Salimov of Republic of Uzbekistan, in the field of Science and Technology.
6. One award of US\$ 3000, will go to Mr. Safiev Khaider of Republic of Tajikistan in the field of Science and Technology.
7. One award of US\$ 3000, will go to Mr. Kamal Smailov of Republic of Kazakhstan in the field of Education.
8. One award of US\$ 3000, will go to Prof. Dr. Talaibek Koichumanov of Kyrgyz Republic in the field of Economy.

### ECO Day

211. The 3<sup>rd</sup> ECO Summit meeting held in Islamabad on May 14-15, 1995 decided to celebrate 28<sup>th</sup> November, the day of expansion of Organization, as the ECO Day. Since then the ECO day has been regularly celebrated at the Secretariat. Normally the Secretary General addresses a press conference to brief the media on the activities of ECO and holds a reception for the diplomatic community and important local dignitaries. The member states send messages from the Heads of state/government and Ministers of Foreign Affairs addressed to the Secretary General. Last year, the ECO Cultural Institute arranged an exhibition.

212. This year the ECO Secretariat would be celebrating the 10<sup>th</sup> Anniversary of the expansion of the Organization from three to ten member states. Therefore, the Secretariat is engaged in preparing proposals for acceptance of the member states to celebrate the occasion in a befitting manner. The member states are requested to introduce new ideas in this regard and also inform what they plan to do in the capitals on the eve of the ECO Day.

213. The purpose of arranging ECO Day some what differently from the routine celebrations is to mark to 10<sup>th</sup> Anniversary of the expansion of the Organization. Another objective is to enhance coordination with national governments to use the ECO day celebrations as a instrument to raise public awareness about the Organization and its activities.