

The 16th RPC Meeting

Report of ECO Secretary General on the ECO activities

(Tehran, January 30 - February 02, 2006)

Annex-VII

Preamble

It gives me pleasure to submit this Report to the Member States for consideration by the 16th Regional Planning Council (RPC) meeting. This report covers ECO activities that have taken place since the 15th RPC that was held in Tehran in February 2005.

2. The 16th session of the RPC assumes greater significance as it is taking place after the 15th Council of Ministers (COM) meeting which was held in Astana on 1st October 2005. That meeting took decisions which will have far-reaching consequences for the progress and growth of the Economic Cooperation Organization. 15th COM adopted ECO Vision 2015 which sets targets and goals to be attained by the Organization by 2015. These targets are not only confined to the priority areas such as Trade & Investment, Transport and Communications & Energy but also provide us guidelines for action in the non priority areas as well as in issues which are assuming greater importance such as the Environment and the Human Resource Development etc.

3. 15th COM also approved re-organization of the Secretariat in the light of recommendations made by the Eminent Persons' Group (EPG) with a view to enhance the efficiency and effectiveness of the Secretariat. With effect from 1st January 2006, the Directorates of Project Research and Economic Research & Statistics are being merged and a new Directorate of Human Resource & Sustainable Development is being created. The new Directorate will focus on issues such as Human Resource Development, Social Development, Drug Control activities, Health and Poverty Alleviation etc. This new Directorate will also follow action being taken by the Member States with regard to the implementation of the UN Millennium Development Goals.

4. The year 2006 is also important in the sense that a large number of members of the Directing Staff including the Secretary General will be completing their tour of duty and affairs of the Secretariat will be looked-after by a new team.

5. The above mentioned factors make the task of the delegates attending the 16th RPC relatively more challenging as they will have to finalize and chalk out strategy for the year 2006 keeping in view the same.

6. Since the 15th RPC, the Organization has made remarkable progress in different areas. These include the adoption of ECO Vision 2015, ratification of Transit Transport Framework Agreement (TTFA) by Afghanistan and the possibility of its coming into force in May 2006, significant steps towards the realization of ECO Trade Agreement (ECOTA) and the establishment of ECO Trade & Development Bank. The Secretariat also made efforts to implement the Plan of Action for ECO's participation in the reconstruction of Afghanistan and was able to decide about a project to be financed from the ECO's Special Fund for the Reconstruction of Afghanistan. During the 15th COM, His Excellency the Foreign Minister of the Islamic Republic of Iran announced a pledge of nearly US\$ 400,000/- for this fund. I would request other Member States to join Pakistan and Iran and announce their pledges as well.

7. Despite the fact that the Container Train on Istanbul – Almaty, Trans-Asian Main Railway Line is operational albeit with some bottlenecks, our plans for introducing the Passenger Train on this line are far from being realized. Regrettably, this important project will not see the light of the day unless all Member States, particularly those which fall on this route do not extend their wholehearted support to this venture. I would, therefore, earnestly request the Member States, particularly Turkmenistan and the Republic of Uzbekistan to take interest in this vital Project. This Project will not only bring economic prosperity to the region but will also bring the people of ECO closer to each other and open vast avenues of Trade and Tourism within the region and beyond.

8. While adopting the report of the 15th RPC meeting, the 15th Council of Ministers stressed on the desirability of a more focused Calendar of Events. I would, therefore, request the 16th RPC to carefully examine the contents of the draft Calendar of Events circulated by the Secretariat with a view to make it more realistic and approve those events which are doable and are essential for the Organization and particularly those which the member states are willing to host.

9. As I have pointed in an earlier paragraph about the completion of my assignment with the ECO Secretariat, this report would be my last Report to the Regional Planning Council. I would, therefore, like

to place on record my sincere thanks to the Member States, particularly to the Planning Organizations of the Member States for the support and cooperation that I have received from them during my tenure as the Secretary General of the Organization.

Economic outlook

10. Despite many unfavorable factors, the economies of the ECO region displayed impressive resilience since 2000. After the downturn in 2001, GDP growth picked up in the region in 2002 and economic performance remained strong in 2003-2004. This was mainly on account of the recovery of Turkey from negative growth in 2001 and higher growth in Pakistan and Iran, as well as high growth rates in Azerbaijan and Kazakhstan supported by substantial FDI in oil and gas sector in recent years. A notable feature was strong growth recorded in Kyrgyzstan, Tajikistan and Uzbekistan, countries that have the lowest per capita incomes in Central Asia and that have seen various economic difficulties in recent years. Favourable commodity prices for the region's main exports, not only oil and gas but also for gold, cotton and aluminum, were the principal stimulus underlying the strong gains made during 2004.

11. With a total population of 379.7 million (almost 6.0 percent of the world population), the aggregate GDP of the ECO countries amounted to US\$ 616.9 billion in 2004. This made up only 1.5 percent of the world GDP. The economic recovery achieved by the ECO countries as a group in 2002 with average real GDP growth at 7.3 percent accelerated significantly in 2003 and 2004 with average real GDP growth recorded at 6.9 and 8.0 percent respectively compared to 1.1 percent in 2001. Very strong performance of the recent years in the region was underpinned by robust global growth, high commodity prices, low international interest rates, and generally accommodative monetary and fiscal policies. Nearly all ECO countries grew by more than 5% annually in 2003-2004. The recent growth performance demonstrated that ECO countries outperformed the group of all developing countries. During the past five years, real GDP growth averaged 6.2 per cent for the ECO region, compared to 4.1 per cent for the group of all developing countries. Moreover, ECO countries, like all developing countries, have outpaced global growth since 2000.

12. The ECO countries' average per capita GDP in 2003 and 2004 increased to US\$ 1,499 and US\$ 1,538 respectively. At the individual country level, Afghanistan (US\$ 283.3) and Tajikistan (US\$ 309.2) were the country with the lowest per capita GDP in 2004, while Turkey was the highest (US\$ 4,187) in the same year. Changes in the growth pattern of the member states economies over the years have brought corresponding changes in the employment structure, though agriculture sector remained the largest employer (39.6 percent) in the region. Average unemployment rate of the ECO region in 2002-2004 decreased from 6.6 to 5.8 percent.

13. The recent strong economic performance in the ECO countries owes much to the economic reforms undertaken over the past several years. In most countries of the region, improved macroeconomic policies, reflected in low inflation, trade liberalization efforts, more flexible exchange rate regimes, and lower fiscal deficits have reduced uncertainty and improved the overall investment environment. More microeconomic structural reforms, such as privatization and regulatory reform initiatives, have also played a key role.

14. Nevertheless, core development challenge within the region is to ensure sustainable economic growth, macroeconomic balance and price stability by the ECO countries in order to achieve a much better quality of life for a population of almost 380 million. While notable progress has been achieved by the member countries in resolving fiscal, monetary, structural and other systemic difficulties, the remaining agenda for reform and restructuring is formidable.

15. Indeed, the member countries continued to face challenges in addressing the pervasive economic reforms brought about by transition as well as by the rapid pace of globalization, innovation, and technological changes in the developed market economies. Macroeconomic adjustment across the region continued to pose serious challenges. In this regard, the member states introduced various measures to reduce budget and balance of payment deficits, restrain inflation and bridge saving-investment gaps through mobilization of domestic resources.

16. For transition economies of the region the main policy priorities in 2004 were structural reforms to foster economic diversification so as to reduce dependence on the export of natural resources and boost

economic competitiveness by improving the business climate. Diversification of the production base remained a prominent target in most ECO countries as the narrow growth base mainly consisting of oil, gas, and agriculture, impeded broad based employment creation and diversification of exports. To sustain/stabilize growth and for integration into the regional and global economies ECO countries continued with their agenda of reforms and institutional innovation in areas that are considered weak and vulnerable, in particular, banking system, capital markets, tax system, and corporate sectors.

17. Price stability and low levels of inflation rates are essential factors for maintaining macroeconomic stability in the economies of the ECO member states. The governments of ECO countries paid special attention and applied different fiscal and monetary policies over the last decade to control inflation and maintain price stability in their economies. As a result, with few exceptions, inflation was on a downward trend in ECO member states since 2001.

18. The average inflation rate in the developing countries declined to 6 percent in 2002 and remained at the same level in 2003-2004. While in previous years inflation rate was at the double-digit levels in the ECO region, the ECO member states managed to curb the average inflation rate and bring it down to a low level of 9.5 percent in 2004. Notwithstanding the hike in oil prices, consumer prices were kept mostly under control even in economies where inflation had been a problem, such as the Islamic Republic of Iran and Turkey.

19. The fiscal situation in the region remained essentially satisfactory in 2004, with the budget balance as a percentage of GDP. The tight monetary policy contributed to the sharp drop in the rate of inflation in the region. However, significant risks to macroeconomic stability remained real. Taking into account the rising incidence of domestic macroeconomic imbalances including budget deficits and high level of external debt in some ECO countries, the member states need to remain strongly committed to macroeconomic prudence, good governance, and flexibility in day-to-day economic management and be alert to unforeseen dangers. Simultaneously, Governments must facilitate structural change to enable their economies to maintain competitiveness in a globalizing world economy. For the long term, ECO countries shall develop national strategies that trigger real policy changes focused on the achievement of the Millennium Development Goals.

20. The economies of the region have benefited from global trade recovery and move toward further liberalization. Since 2002, there was a relatively strong expansion of external trade with most countries in the region recording double-digit growth. Moreover, most countries in the ECO region recorded a significant expansion in export earnings in 2003-2004, exports from the economies of the region increased by 18.8% in 2003 and by 20.3% in 2004. The highest growth rates in the last two years were achieved both by oil-exporting countries such as Azerbaijan and Kazakhstan and non-oil-exporting countries like Turkey. However, rapid income growth in the years under consideration, together with continued high oil prices, also led to surging imports in most ECO countries that outpaced exports' growth resulting in trade balance deficits in most countries.

21. With high average growth rates in the total region's merchandise exports in 2000-2004 (except 2001), region's share in the total merchandise exports of the world slightly increased to 1.8 percent compared to 1.3 percent in 2000. It is also observed that the exports of the ECO countries were heavily concentrated in Iran, Kazakhstan, Pakistan and Turkey. For example, these countries accounted for 90.7 percent of the total ECO members' exports in 2004, where Turkey alone accounted for 43.1 percent.

22. The ECO member states had made efforts to promote intra-trade and taken significant steps forward for improvement of regulatory frameworks and removal of tariff and non-tariff barriers in the region. The regional intra trade situation is, however, far from satisfactory when compared to preceding year and the prospect of an imminent change does not seem very likely unless private initiatives backed by political will of the member states are given momentum. So far, the scope and depth of trade linkages served as the main channel of transmission of external shocks between the member states. Total intra-regional trade volume of ECO region increased to USD 16.7 billion in 2004 (excluding Afghanistan) compared to USD 10.2 billion in 2002. The intra-trade ratio of the ECO region in 2004 alike the previous years stand between 5-6 percent.

23. According to 2004 statistics, the share of intra regional export of Iran was just 2.7 percent, Kazakhstan 5.7 percent, Pakistan and Turkey 6.7 percent and 3.5 percent, respectively. While for Azerbaijan it amounted 15 percent, for Kyrgyzstan 22.0 percent, for Tajikistan 13.3 percent, for Turkmenistan and Uzbekistan 23.7 percent and 15.8 percent respectively.

24. The governments in ECO countries recognizing importance of the attraction of FDI in order to insure sustainable economic growth and modernization through the influx of foreign capital, technologies and expertise implemented measures aimed at creation of favourable conditions for FDI. In the most of the ECO countries, the governments are moving ahead with reduction and removal of trade barriers, deregulation of internal markets, privatization and liberalization of investment flows.

25. In particular, entry and operational conditions are liberalized and standards of treatment of foreign affiliates are strengthened. In some cases, liberalization has been extended to such service industries as telecommunications, transportation and power generation and distribution, previously closed to foreign investors. Most of the countries have concluded many bilateral treaties to protect FDI and avoid double taxation. Most of ECO countries including Iran, Turkey as well as transition economies like Azerbaijan, Kazakhstan, Kyrgyzstan and Tajikistan, are introducing improvements in investment legislation with relevant provisions providing strengthened standards of treatment of foreign affiliates including guarantees of legal protection, national treatment, fair and equitable treatment, along with the free transfer of profits and repatriation of capital and dispute settlement.

26. Despite a global decline in FDI, several transition economies of ECO continued to see strong capital inflows. The resource inflows were uneven, however, with the oil and gas sectors in Azerbaijan, Kazakhstan, and Turkmenistan remaining the most attractive areas for FDI. The Kazakhstan economy was also driven by higher FDI in oil-related production and export capacities. FDI inflows in ECO countries in the recent years were recorded at about US\$ 8-9 billion annually.

27. The debt service burden on the member countries continued to be heavy and total regional debt increased from US\$ 204.8 billion in 2002 to US\$ 233.2 in 2003, and further increased to around US\$ 258.9 billion in 2004, thus pressure on the balance of payments increased. Kazakhstan, Kyrgyzstan, Tajikistan, and Turkey had relatively high debt-to-GDP ratio levels of more than 60-70 percent in 2004. Most of the debt was owed to multilateral lenders, such as IMF and the World Bank, plus the Paris Club of international creditors.

28. The Paris Club debt restructuring, and a debt write-off of US\$ 1 billion significantly improved the debt profile of Pakistan in 2003. Retirement of some external debts and the replacement of expensive debt by soft loans from international financial institutions in 2004 have helped in reducing debt servicing costs. External debt as a percentage of GDP in 2004 decreased from 40.5 to 35.1 percent compared to previous year. The substantial FDI inflows enabled Azerbaijan and Kazakhstan to reduce their foreign debt burden. In net terms, the latter country did not have external debt as most of the external obligations consisted of intra-company loans in the energy sector.

29. Human development challenges remain large in ECO region, nevertheless many ECO countries are optimistically making rapid and sustained progress in most related areas, from expanding knowledge to improving survival and raising standards of living. When the ECO countries' Human Development Index (HDI) rankings are considered according to the UNDP Human Development Report for 2005, except Afghanistan, they were among 88 countries of World, which were in the group of medium human development. However, GDP per capita performance for most of ECO countries still was below the average of developing countries. Moreover, country performances of the ECO countries were more homogeneous and better than some other regions, except for Afghanistan, no country experienced significant reversals in the key human development indicators. Since human resource development is a long-term process, increasing technical cooperation among the ECO countries may be significant contribution to easing challenges. The ECO countries may give more priority to human resource development and organize joint relevant regional activities in a more coordinated and integrated manner. Furthermore, policy reforms, long-term development strategies and private sector investments aiming at improving the education and health services equally need to be encouraged for advancing human development within the ECO region.

30. The short-term outlook remains favourable for countries of the region. ECO countries as a group are growing faster than the global economy as well as some other groups of countries. Progress is being made on both fronts as can be seen in the declining rates of inflation, lower fiscal deficits and improved current account positions. This progress is providing greater stability in exchange rates and a more stable environment for investment, both domestic and foreign. However, institutional progress has been slower and more uneven, especially in the financial sector. Although substantial imbalances remain in the world economy, growth in major industrial countries is

projected to be quite robust, while for ECO countries, the improved external environment, combined with high oil prices, strong domestic demand and buoyant intraregional trade will allow the region to grow in 2005 at annual rates similar to previous year. Particularly, the oil and gas sector will continue to drive growth in the hydrocarbon-producing countries of ECO such as Azerbaijan, Iran, Kazakhstan, and Turkmenistan.

31. The region's short- and medium-term prospects depend critically on the implementation of structural reforms. The recent improvement in the region's growth performance has not made a significant dent in unemployment or brought about a sizable reduction in poverty. Yet, the good macroeconomic performance of the last few years provides an opportunity to address these longstanding problems in the ECO region. And favourable economic outlook for 2005-2006 will present a timely opportunity to strengthen policies aimed at resolving macroeconomic imbalances, addressing the fragility of banking and financial systems, and implementing structural policy reforms to ensure sustained economic growth and maintain region's competitiveness in a globalizing world economy.

32. Prospects for 2005 are for an easing of the collective growth rate of the region. The implementation of such reforms and the combination of buoyant domestic, regional, and international markets should significantly boost business investment in the region. Assuming robust growth in ECO countries over the next years and in the absence of major unforeseen shocks, aggregate GDP growth for ECO region is projected at 5.9-6.1 percent in 2005-2006. Although economic growth in ECO region is projected to settle to more sustainable rates in 2005, oil and gas sector and intraregional trade and strong consumer demand will remain a major driver of growth in ECO region over the next years. Progressively, the whole of the region will benefit from the dynamism in intraregional trade.

Trade and Investment

33. As envisaged in the Treaty of Izmir, the prime 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.

34. 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).

35. Under the objectives mentioned above, the ECO Trade Agreement (ECOTA) was approved and signed by 5 member states namely; Afghanistan, Iran, Pakistan, Tajikistan and Turkey during the 2nd ECO Ministerial Meeting on Commerce/Foreign Trade, held on July 17, 2003 in Islamabad. So far, only Tajikistan and Pakistan have ratified it. The Agreement shall enter into force after the receipt of Instrument of Ratification from five signatory member states. The basic objective of the ECO Trade Agreement (ECOTA) is to establish a free trade in the region to contribute to prosperity in the region. The 8th ECO Summit emphasized upon the Free Area by 2015. ECOTA is comprehensive in terms of commodity coverage and will be implemented gradually within an eight years period and will scale down tariffs to a maximum of 15% on eighty percent of the goods. The 1st meeting of High Level Experts Group on Trade, Investment and other related matters, which was held in Ankara on January 13-15, 2004, basically considered the implementation of ECOTA. It agreed to adopt a Fast Track Approach, which envisages the reduction of tariffs to a maximum 10 percent as the highest tariff slab within the period of 5 years. 2nd High Level Expert Group (HLEG) meeting on Trade, Investment, and Other Related Matters (Islamabad, March 17-19, 2005) finalized the draft text of said Protocol. However, in view of reservations/principles that emerged during the 3rd HLEG meeting (Istanbul, July 5, 2005) the said Protocol was not signed by the member states. The 4th HLEG meeting (Kabul, 9-10 November 2005) proposed a new formulation for Principles on the Protocol of Fast Track Approach, which is under consideration of the respective countries.

36. Third Ministerial Meeting on Commerce/Foreign Trade (Istanbul, July 7, 2005) signed a Protocol for the annexure of ECOTA on; (i) Rules of Origin, (ii) Anti-Dumping Measures, (iii) State Aid, (iv) Intellectual Property Rights. The said Protocol was signed by four signatory members to ECOTA, i.e.

Afghanistan, Iran, Pakistan, and Turkey. In brief, finalization and compilation of annexure of ECOTA is an urgent necessity in early implementation and application of tariff concessions under the provisions of ECOTA. Realization of provisions of ECOTA will be major step towards the establishment of Free Trade Area in the ECO region by 2015 as envisaged in the ECO vision 2015, which was adopted during the 15th Council of Ministers (COM) meeting (Astana, October 01, 2005).

37. In order to promote investment in the region, the 1st ECO Regional Trade and Investment Conference was held on Kish Island (Iran) on February 17-18, 2003. The draft Agreement on Promotion & Protection of Investment among ECO Member States (APPI) was revised by the 1st HLEG Meeting on Trade, Investment and Other Related Matters that was held on January 13-15, 2004 in Ankara. Moreover, significant progress was made with regard to promotion of investment in the region. The 3rd HLEG meeting (Istanbul, 5 July 2005) finalized the draft text of Agreement on Promotion and Protection of Investment (APPI). Afghanistan, Azerbaijan, and Turkey signed APPI during the 3rd ECO Ministerial Meeting on Commerce/Foreign Trade (Istanbul, 7 July 2005). The Secretariat has already requested other member states to become a Party to APPI as soon as possible. The APPI envisages common policy and common action for attracting investment in the ECO region and it would come into force upon signature/ratification of four ECO member states. The Second and Third ECO Regional Trade and Investment Conference were held on April 18-19, 2004 and November 9-10, 2005 in Kabul, Afghanistan.

38. In the meantime, ECO Ministerial Meeting in the area of Finance and Economy on the pattern of other Ministerial Meetings has been institutionalized. The First ECO Ministerial Meeting on Finance/Economy was held on January 29-30, 2004, in Islamabad, Pakistan which formulated policy guidelines for boosting cooperation among the member states in this field. However, Secretariat is pursuing to find a host for the relevant HLEG meeting to study and suggest a framework for cooperation in the areas of Finance/Economy as well as to prepare ground work for the 2nd Ministerial Meeting on Finance/Economy scheduled to be held in Turkey in 2006.

39. Customs cooperation has now gained an important place. The Heads of Customs Administration meet each year under the name of Council of Heads of ECO Customs Administration (CHCA), to review and discuss ongoing cooperation activities. In their 2nd meeting held in Tehran (2 September 2002), it was decided to establish a Regional Data Bank on Smuggling and Customs Offences. The 4th CHCA meeting held in Baku (May 16-18, 2005) finalized the text of the Draft Agreement on the establishment and operation of the ECO Smuggling and Customs Offences Data Bank which was later signed by Afghanistan, Pakistan and Turkey during the 3rd Ministerial Meeting of Trade/Commerce (Istanbul, 7 July 2005). To this end, an action plan will be prepared in coordination with Turkey (host of Data Bank) and the said Data Bank would fully be operationalized when other member states become a Party to this agreement.

40. In the banking and insurance sectors, two activities are worth mentioning, the first one is with regard to Trilateral Committee Meetings on Establishment of ECO Trade & Development Bank and ECO Reinsurance Company. The process of introducing Governors/Directors has now been completed and the Republic of Turkey has been requested to announce dates and venue of the first meeting of Board of Governors. The three countries may expedite to pay capital share to the ECO Bank and the three countries may also decide for simultaneous establishment of ECO Reinsurance Company as both the projects are part of each other and enjoy the same significance in the promotion of trade and investment.

41. Availability of trade related information is identified as the major problem in promotion of regional trade and investment. In this regard, ECO has developed an interactive web portal (www.tradeeco.org) with the financial assistance of UNDP. The 2nd Seminar on Trade and Investment Information Networking held on October 26-27, 2000 in Antalya, the 2nd Ministerial Meeting of Commerce/Foreign Trade held on July 17, 2003 in Islamabad appreciated establishment of ECO Trade-Net. The 3rd Seminar on Trade and Investment Information Networking in the ECO region was held on January 31-February 01, 2005 in Karachi, Pakistan during which ECO Trade-Net was launched, designation of fresh Focal Points was agreed and cooperation between ICCI and ECO through MoU was agreed. ITC expert presented an ECO Trade Information Services package which is under consideration to be implemented from the ECO Feasibility Study Fund (FSF).

42. One of the major objectives for establishing the ECO Chamber of Commerce and Industry (ECO-CCI) was to facilitate the holding of Trade Fairs and Exhibitions aimed at promoting private sector involvement in the intra-regional trade. The 10th Executive Committee Meeting of ECO-CCI held on 9-10 November 2005 in Kabul discussed new mechanisms and modalities for better interaction between member chambers, business communities of ECO region. The meeting also decided to finalize the Action Plan of ECO-CCI, which would envisage the ECO Vision for 2015. ECO Trade Fair was also held in Kabul, Afghanistan from 9-12 November 2005 in which a large number of firms/companies from ECO member states participated. In this regard, the coordinated effort made by the Afghan Government is commendable.

ECO and Regional and International Organizations

43. ECO is also in close interaction with the international and regional organizations and is seeking their help and cooperation for the promotion of trade in the region. The project that is aimed at promoting ECO region's trade through organizing Buyers/Sellers Meetings and similar activities is jointly sponsored by ECO, ITC. ECO/ITC 2nd Phase Project with the possible assistance of donors already stands approved by CPR for utilization of ECO Feasibility Study Fund (FSF).

44. ECO also appreciates the offer made by ICCI Secretary General to sign MoU with ECO for cooperation in trade and investment area during 3rd Seminar in Karachi, Pakistan.

45. 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 important projects. These organizations are: UN Agencies (UNCTAD, ESCAP, UNECE, ITC, UNDP), WTO, WCO, ADB, World Bank, OIC/IDB and the International Road Union (IRU). In this regard ECO has deepened its relations with these organizations.

Transport and Communications

46. Transportation and communications has been chosen as one of the three priority areas of cooperation among the ECO member states considering the fact that effective transportation and communications network is essential for promotion of trade among the ECO member states in the region and beyond.

47. Among all the modes of transportation in the ECO region, railway transport is of great importance for all the ECO member states. This is not only because of existence of usable east-west railway corridor, but also because the railway transportation is more economic and safer for moving from one country to another through the region. Therefore, if the efficient railway transport is established between the ECO member countries, all the people of the region will enjoy the benefits of such efficient railway transportation.

48. In line with the above mentioned objective, various technical as well as high level meetings have been held in the field of Transport and Communications so far. Five Ministerial meetings on Transport and Communications since 1993 and eight meetings of Heads of the ECO Railway Authorities have provided a proper ground for discussing and expediting the projects and plans for expansion of the ECO railway network as one of the transportation means which enjoys a suitable infrastructures compared with other means of transport.

49. The Programme of Action for ECO Decade of Transport and Communications (1998-2007) which is a basic document for close cooperation in the said field has focused on elimination of Non-Physical Barriers on main transit transport routes of the ECO region and on the development of Physical Infrastructure of Transport Corridors as well as the development of telecommunications and postal links in the ECO Region. In this regard the ECO Secretariat has followed the implementation of the included projects in the said Programme through its discussions and meetings with the relevant authorities of the member states to pave the way of operationalizations of the said projects.

50. Transit Transport Framework Agreement (TTFA) and its 8 annexures is one of the most important and comprehensive document for transit transport in the ECO region which facilitates further cooperation of the ECO member states in transport section. This Agreement which has been signed by 9 member states (except Uzbekistan) and ratified by six of them will enter into force on May 19, 2006. The Transit Transport Coordinating Council (TTCC) will be established within six month of entering into force of TTFA for monitoring and following the implementation of the Agreement. The Republic of Azerbaijan is the coordinating country for implementation of TTFA which is expected to pave the way for establishment of TTCC and commencing its functions.

51. Container and Passenger trains on the Trans-Asian Railway main line route are two important projects in transport sector. Regular running of the Container train and smooth movement of Passenger train require fulfillment of the commitments made by the member states in that respect. In this regard the member states, particularly the concerned ones, have been asked time and again to take necessary measures for the early implementation of the said projects in various meetings. Dushanbe Declaration issued at the end of 8th ECO Summit called stressed on the importance of operationalization of Trans-Asian Railway main line as one of the most significant transport projects within ECO regional cooperation framework and urged all member states to do their utmost for its early implementation. It is, therefore, imperative that the first meeting of the Working Group for the implementation of Trans-Asian Railway main line and the 9th Meeting of the Heads of ECO Railway Authorities may be held at the earliest for expediting these two important ECO projects.

52. Implementation of the MoU on Railway Tariff Policy in International Freight Traffic, which was signed by eight member states on the eve of the 8th Meeting of the Heads of ECO Railway Authorities in Istanbul on July 6-7, 2004, is another important step to facilitate smooth railway transportation in the ECO region. The member states have been asked to report their activities on harmonizing their railway tariff in accordance with the provisions of the said MoU to the Secretariat.

53. Marine transportation as a new area of cooperation among the members of the ECO region, is under review and discussion since year 2003. The first and second meetings of the Heads of the ECO Reference Marine Organizations of the ECO member states have been held in Tehran and Istanbul in respectively. The 2nd meeting, which was held in November 2005, deliberated on the proposed Memorandum of Understanding on Rescue and Safety Measures in the Caspian Sea and the Persian Gulf, marine tariff policy in the region, establishment of a data base on marine related matters and the possibility of greater cooperation with the international organizations such as IMO and ILO on issues relating to marine transportation etc.

54. In the 13th meeting of Directors General of National Telecommunication Companies and Postal Authorities of ECO member states (Almaty, 29-30 October, 2002), it was decided to separate postal issues from that of telecommunications. Based upon this decision two meetings of ECO Postal Authorities have been held so far. In these meetings issues such as issuance of the common stamp, holding the postal workshops as well as postal training courses, establishing a website to which all the member states may have access and store their updated list of postal products and technologies, have been agreed to be pursued by the member states aiming at further expansion of postal cooperation among them.

55. According to article 22 of TTFA and its 5th annex, the ECO member states agreed to sign an agreement on ECO Interim Motor Vehicle Third Party Liability Insurance Scheme. First expert meeting to discuss and elaborate on the contents of a draft agreement provided by Iran was held in Tehran/Iran on September 2005. Efforts will be made for the finalization of said agreement as a prerequisite for facilitation of the transport activities in the ECO region particularly in road transport.

56. As far as the cooperation with international organizations and especial agencies is concerned, the project of Multimodal Transportation (MMT) in the region is a very good example of such cooperation. The 2nd phase of the project is under process with the cooperation of UNESCAP, UNCTAD and IDB. The

implementation of the said project is an important achievement in transport section which can provide a proper ground for future plans for more cooperation with these organizations.

57. According to the decisions of the 5th Ministerial Meeting on Transport and Communications, during the year 2005, necessary measures for finalizing the ECO Railway and Road Network maps have been taken. An Expert Meeting on ECO Road Network, which was held on the basis of the decision of the 5th Ministerial Meeting, made the final decision on publishing the final ECO Road Network Map. The draft of final version of the ECO railway map has been prepared by the Iranian relevant authorities and was circulated among the ECO member states for their final views and comments before the final blue print will be provided.

58. In the field of Telecommunications, so far four meetings of Trans-Asia-Europe Fiber Optical Cable System (TAEFOS) have been held since year 2000. The important issues of operation of the TAEFOS segments and improving the quality of its operation among the ECO member states as well as telecom tariff policy have been discussed in the said meetings. Holding the 5th Meeting of TAEFOS is necessary for avoiding any gap in this area of cooperation.

Energy, Minerals and Environment

Energy

59. The 15th RPC meeting requested the Secretariat to accomplish the necessary actions to speed up the commencement of the feasibility study on the interconnection of ECO countries' power systems. In this respect, 96th CPR meeting considered and endorsed the IDB proposal to award the contract of consulting services to be performed for the above said feasibility study to the NESPAK-lead consulting consortium (Pakistan). Subsequently, a Contract on the Consultancy Services was negotiated and signed by the ECO Secretariat and Consultant in June 2005, and sent to IDB with the request for the first disbursement

60. Thus, the work on the subject feasibility study was commenced as of August 25, 2005, and should be done in close cooperation with the member states. In this regard, the member states were requested to nominate their National Focal Points (NFPs) to coordinate and facilitate its implementation. The Secretariat has also circulated among the member states as well as their nominated NFPs the format for data collection for the subject feasibility study in order to receive the necessary data/information from them and make it available to the Consultant and the Secretariat in time.

61. By December 2005, only six member states namely; Azerbaijan, Iran, Kyrgyzstan, Pakistan, Tajikistan and Turkey have nominated their NFPs for the subject study. With regard of the necessary data submission, so far, the Secretariat has received only some data from Turkey. In order to facilitate timely implementation of the subject feasibility study, the concerned authorities of the member states were requested to appoint their NFPs and speed up the process of necessary data collection and its submission to the Consultant and the ECO Secretariat, at the earliest possible.

In order to promote regional Energy Trade, the Secretariat discussed the subject topic with the World Bank (WB) missions to Tehran in October and December 2004. As a result of the collaboration between World Bank and ECO Secretariat, a Workshop on Regional Energy Trade in the ECO region was prepared and convened with the cooperation and financing of World Bank on 29-30 June 2005, in Tehran, at the ECO Secretariat, with the participation of the delegations of eight member states, ECO Secretariat staff and the representatives of WB, ADB, IDB and UNESCAP.

62. On the basis of the presentations and discussions, the said Workshop made a number of important recommendations on possible steps of pursuing the regional energy trade, further analytical work that would be needed, etc. This work would involve an ECO-wide advisory working group and donors. Subsequently, the World Bank has indicated its interest to continue cooperation with ECO in this field. Now, WB is in the process of arranging of the financing from the Energy Sector Management Assistance Programme (ESMAP) for the analytical work to be performed under the subject project.

63. In continuation of the training courses on energy efficiency and conservation organized for energy managers from the member states in Ankara in 2002-2003, the international courses on Energy Efficiency and Conservation were conducted in Turkey, in November-December 2004 and June 2005 under a new JICA Project on "Third Country Training Program" with the participation of the engineers from the ECO Member States. Participation of ECO Member States experts in those above Courses was arranged by cooperation between the host and ECO Secretariat. The next training course under this program is expected to be arranged in June 2006.

64. To promote cooperation on the development of regional Oil and Gas transportation routes the 4th High Level Experts Task Group (4th HLETG) meeting on Oil and Gas Pipeline Routes as well as a Workshop on the subject matter were convened on 4-6 May 2005 in Ceyhan Terminal of BOTAS Co., Turkey.

65. The 15th meeting of RPC emphasized the need of a review of the implementation Plan of Action for Energy/Petroleum cooperation 2001-2005 and requested to prepare draft Plan of Action for a new 5-year period to be submitted for consideration and approval of the 2nd ECO Ministerial meeting on Energy/Petroleum which was expected to be convened end of the year 2005/early 2006 in Tehran. The Secretariat has started work on drafting of the Plan of Action and updating draft Agenda of the 2nd Ministerial meeting and requested active participation and inputs of the member states, in this regard. Kyrgyzstan and Turkey have already submitted to the Secretariat their views and proposals on the subject issue, while other member states are expected to do so, at the earliest.

Minerals

66. The process of submission of the required data for compilation of ECO Mineral Data Booklet (MDB) was finalized and the Project Manager (Turkey) introduced the data received from the member states with regard to MDB during the 15th RPC meeting. The copies of that document were also circulated to the member states. Since the Secretariat has not received any comments/objections, the Project Manager was requested to arrange for the publication of the first version of MDB at the earliest.

67. Upon the recommendation of the 15th RPC meeting, the matter of publication of ECO MDB as well as the other proposals for cooperation in the field of minerals would be subject of consideration by the upcoming 3rd ECO Mineral Experts Group meeting, which is included in the draft Calendar of Events/ Meetings for the years 2006-2007. In this respect, the member states, particularly those mentioned in the calendar as possible venues, are kindly invited to offer their readiness to host this meeting.

Environment

68. The status of implementation of the Plan of Action on Cooperation among ECO Member States on Environment (2003-2007) and other related issues were the subjects of consideration by the 3rd meeting of Working Group on Environment which was held in Islamabad, Pakistan, on 23-25 February 2005. Apart from the consideration of the implementation of the Plan of Action on Environment, the participants reviewed the Calendar of Events/ Meetings for 2005/2006 related to the environment and made some offers/ proposals in this respect.

69. As it was envisaged by the Plan of Action on Environment, the first and second issues of the ECO Bulletin on Environment were published by the ECO Secretariat, using limited in-house resources, and circulated to the member states in March and August 2005, respectively. They are also available on the ECO Web site. To continue this activity, the concerned authorities in the Member States were requested to submit their information for the said Bulletin, regularly.

70. The theme of the Environmental Impact Assessment was comprehensively dealt by the ECO Expert Meeting on Environmental Impact Assessment held in Ankara, on 20-21 September 2005. The meeting discussed the role of environmental management in ECO region, the environmental management systems in the development projects, as well as environmental impact assessment.

71. A Task Force was established with the participation of the representatives of the three member states - Iran, Pakistan and Turkey - to commence consultations /preparatory work in collaboration with the ECO Secretariat on the establishment of ECO College on Environment. The first meeting of that Task Force was held in Tehran in May 2005. The 2nd and 3rd meetings of Task Force were planned to be held in Pakistan and in Turkey in December 2005. Then, the recommendations of that Task Force will be submitted for consideration of ECO member states and decision making bodies.

72. An MOU was signed between ECO and the World Meteorological Organization (WMO) in 2004 to cooperate and utilize the potential of WMO for promotion of ecology and protection of the environment. As an initial step of that cooperation the Workshop-Training Course on "PRECIS-Regional Climate Model" was conducted on 5-9 September 2005 in Alanya, Turkey, under auspice of the Regional Meteorological Training Center of the World Meteorological Organization. The participants from eight ECO member states namely Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Turkey and Uzbekistan took part at the Workshop.

73. The 15th RPC meeting took note that the 3rd ECO Ministerial meeting on Environment be convened in the year 2006. In this regard the concerned authorities of the Republic of Kazakhstan have confirmed their readiness to host it in May 2006 in Almaty. The effort and active participation of the member states in the process of the preparation and convening of this important event will be appreciated.

Agriculture, Industry and Tourism

Agriculture

74. The 1st Ministerial Meeting on Agriculture provided guidelines for formulation of a regional agricultural development and food security strategy as the food security is key element for economic development and poverty alleviation. The Ministerial Meeting also acknowledged the efforts of the FAO in supporting the ECO Secretariat in the formulation of a Regional Program for Food Security (RPFS). An agreement was signed between ECO and FAO in April 2003 for Technical Assistance Programme (TCP) for preparation of Regional Food Security Programme (RPFS).

75. Recently, a Joint FAO-IDB-ECO Meeting for consideration and finalization of Regional Programme and projects for Food Security was held in Tehran on 28-29 August 2005. The Secretariat has received the revised Regional Food Security Programme from FAO. The RPFS has been prepared based on country reports by joint FAO-IDB-ECO Missions that identified main constraints facing the agriculture sectors at national and regional levels and envisages a strategic framework for sustainable agricultural development and food security.

76. The RPFS focuses on strengthening national production capacities and increasing productivity in addition to facilitate trade among the member countries of the ECO and with the rest of the world. The RPFS also focuses on two key concerns of high relevance to regional food security: At the national level (vertical), production activities to emphasize improved use of water and other inputs to produce food crops for consumption and sale on the domestic and international markets. At the regional level (horizontal), activities are directed to targeting resources, creating opportunities and enabling the communities to access these opportunities and grow in sustainable and dynamic way. These activities will include, among others, strengthening the capacities relevant ministries/ departments of ECO Member countries, enhancing nutrition education programmes, establishment of health and agriculture policy and practice linkages, community level food security programming, food value and safety, agricultural and trade policy analysis for increased market access, strengthening farmers and community organisations and partnerships, and providing information and marketing system support for reducing post-harvest losses and increasing the value-addition of the products.

77. Eleven regional projects were included in the programme namely (i) Promoting regional food security in ECO,(ii) Regional Programme for Integrated Pest Management for Cotton, (iii) Coordinated Research Project on Wheat crop Improvement,(iv) Intra-regional Trade Promotion among ECO Member

Countries, (v) Regional Project on support to Agricultural Extension, (vi) Development and Maintenance of Pastures in ECO Region, (vii) Regional Programme for Combating Trans-boundary Animal Diseases, (viii) Establishment of ECO Regional Plant Gene Bank, (ix) ECO Regional Program for Drought Management and Establishment of ECO Regional Center for Risk Management of Natural Disasters (especially drought monitoring and early warning), (x) Agricultural Productivity Enhancement and Export Development in ECO Region. xi) Strengthening Seed Supply in the ECO region.

78. The ECO Secretariat with assistance of the Member States also finalized national projects which covered, among others, development of seed and seedling, capacity building in improving cereal productivity and developing national programme for food security/secondary schools, rationale use of water in agriculture, on farm water management, enhancing organic farming, minimum tillage for sowing wheat, improving marketing and agro-processing facilities including marketing information systems.

79. The 2nd Ministerial Meeting on Agriculture held in Antalya supported the ECO-FAO Technical Assistance Programme (TCP) on Strengthening Seed Supply in the ECO Region with special emphasis on Central Asia. The project, which is expected to start in early 2006, would be implemented with the technical and financial contributions of the FAO amounting to 349,700 US\$ and technical support of International Centre for Agricultural Research in Dry Areas (ICARDA). The overall objective of the project is more efficient seed production and development of distribution and marketing systems in ECO member countries and particularly in the Central Asian region. The ECO Council of Permanent Representatives (CPR) has already approved utilization of US\$ 35-40,000 for the project from the ECO Feasibility Fund.

80. Development of post harvest and processing industries is another priority area determined by the First Ministerial on Agriculture. The 1st workshop on the subject was held in October 2004 in Yalova, Turkey. The Republic of Turkey, as a coordinator country in the area, will organize the 2nd Workshop on prevention of post-harvest losses of cereals and pulses in 2006 in Turkey.

81. The Second Ministerial Meeting advised to improve efficient use of natural resources in the region such as water and soil resources through adoption of economic principles and environment friendly policies, programmes and technologies. It is expected that the Islamic Republic of Pakistan, as coordinator country in water management will submit its plans/programmes soon for ECO cooperation in water management and host a Workshop on the subject in 2006/2007.

82. The Republic of Iran, as coordinator country, in drought management organized a workshop in December 2003 in Tehran. The workshop drafted a Plan of Action on Drought Management which was approved by the 2nd Ministerial Meeting. The objectives of the ECO regional cooperation in drought mitigation and management are (i) to enhance cooperation among the member states in this field, (ii) find out proper ways and means for effective utilization of available natural resources and appropriate technologies in the region, and (iii) to provide region with a framework for an integrated approach to minimize the impacts of drought.

83. The Second Ministerial Meeting underlined the importance of regional cooperation for mitigation of the negative effects of drought and natural disasters and decided to establish Regional Center for Drought Management and Mitigation in the ECO Region in Mash'ad to address the meteorological aspects of drought in the region. The FAO has included the establishment of the Center as one of Projects under Regional Programme for Food Security. Recently, an MOU was signed between ECO and World Meteorological Organization (WMO) paving the way for effective involvement and contribution of WMO in the ECO activities in this field. The Secretariat has circulated draft document of the ECO Regional Program for Establishment of Regional Center for Risk Management of Natural Disasters (ECO – RCRMOND), prepared by the Iranian Metrological Organization (IMO) in cooperation with the ECO Secretariat.

84. The 15th RPC reiterated the importance of promotion of agricultural trade. Republic of Turkey, as coordinator country for trade promotion is expected to host a meeting on agro-trade promotion in ECO region in 2006 in Turkey. Turkey will also host a Workshop on competitiveness, trade and WTO related matters in 2006.

85. The 1st SOM on Agriculture held in July 2004 welcomed the proposal of the Plant Protection Organization of the Islamic Republic of Iran to be the coordinator in phyto-sanitary issues. The Iranian side also proposed to organize a workshop on these issues and requested the assistance of FAO in this regard.

86. I. R. of Iran being the coordinator country for livestock sector proposed two projects i.e. "identification, breeding and improvement of the native cattle in Afghanistan" and "genetic improvement of local or non-described native cattle". These proposals including the proposal on establishment of a Permanent Commission for Prevention and Control of Animal Diseases in the region would be discussed in the First Meeting of Heads of Veterinary Organizations to be held in 2006 in Tehran.

87. The Second Ministerial Meeting welcomed and endorsed the offer of Republic of Turkey to be the coordinator country in the field of conservation of animal genetic resources and the offer of Islamic Republic of Iran to be the coordinator country in the field of conservation of plant genetic resources.

88. 2nd ECO Ministerial Meeting also welcomed and endorsed the offer of Islamic Republic of Iran to establish a Network for Agricultural Biotechnology. ECO Agricultural Biotechnology Network (ECO-ABN) will assist the national agricultural researchers to apply biotechnology to meet national and regional needs in agricultural biotechnology. Agricultural Biotechnology Research Institute of Iran (ABRII) will coordinate and provide training, consultancy and laboratory facilities for the above mentioned activities.

89. The Draft Project Proposal for establishment of ECO-ABN was circulated by the Secretariat and the Council of Permanent Representatives (CPR) has already approved utilization of US\$ 50,000 for the project from the ECO Feasibility Fund. The project will be finalized within a two years period. After the finalization of the project, the ECO-ABN will continue its functions as a regional institution/set-up affiliated to the Economic Cooperation Organization. The total capital costs needed for this project is US\$ 1,400,000. An Expert Group Meeting/Workshop on the ECO-ABN will be organized in 2006, if approved by the RPC.

90. The Second Ministerial Meeting agreed to strengthen joint efforts to prevent spread of different pests in the region through integrated policies and programs. The FAO-ECO joint workshop on agricultural project analysis held in Issyk-Kul, Kyrgyzstan recommended starting a regional program on Integrated Pest Management (IPM) in the region. A regional project for IPM on Cotton has been included in the ECO Regional Programme for Food Security.

Industry

91. ECO region is quite rich in terms of human resources and several high value- strategic minerals. The combined GDP of the ECO countries amounted to US\$ 638 billion in 2004 which made up only 1.5 percent of the world GDP. Nevertheless, there were significant signs of economic recovery in 2004 in the region. ECO countries have several common interests and problems in the field of industry. Increasing productivity, enhancement of capacity in their relevant institutions, development of economic infrastructures, and promotion of industrial trade are among the common problems/targets. In order to address these issues, member states in addition to their national endeavors need to establish an institutional working relationship at regional and international level as well.

92. With the organization of First ECO Ministerial Meeting on Industry in January 2004 in Tehran, the cooperation in the field has gained a significant momentum. The Ministerial Meeting adopted the Plan of Action for Industrial Cooperation in the ECO region providing guidelines for cooperation and demonstrating the ownership and strong political will and commitments of the member states. After the Ministerial Meeting, 10 important events have been organized in the field of industry, leading to several substantial decisions and preparation of basic documents and formulation of projects.

93. The 2nd Ministerial Meeting preceded by Senior Officials' Meeting and High Level Expert Meeting was held in November 2005 in Turkey. The Meeting considered the progress on the preparation of ECO

Regional Industrial Cooperation Strategy as well as progress on the establishment of ECO Regional Organization for Standardization, Conformity Assessment, Accreditation and Metrology (ROSCAM), establishment of Technology Transfer Center, Small & Medium sized Enterprises and Industrial Property Rights.

94. Regarding the preparation of the strategy framework for cooperation among the member states, two EGM have met in Ankara and Islamabad respectively. In the 1st EGM, seven areas have been selected from sub-sectors mentioned in Para 20 of the Plan of Action for Industrial Cooperation in the Region along with coordinator and responsible countries. Coordinator countries compiled statistics and other relevant information from the member countries with the assistance of ECO Secretariat and presented the related reports to the 2nd EGM.

95. Establishment of ECO Technology Transfer Centre Data Base was agreed upon in the 2nd EGM on Industry. Islamic Republic of Iran, as one of the coordinator countries in the field has launched a website for that purpose (www.ettcenter.com) in 2005. Plan of Action for ETT Center was submitted to the special session on Industrial Property rights during 1st SOM Meeting held in November 2005 in Istanbul. It will be discussed in detail during 1st EGM on Transfer of Technology.

96. The Joint Taskforce Meeting held in Tehran, 2005 for the preparation of the sub-sectoral framework strategy underlined that the draft sub-sectoral Industrial Strategy prepared by Ministry of the Industry and Trade of the Republic of Turkey is very well prepared document and participants expressed their general concurrence with the contents of it.

97. As regards the models proposed by Turkey in the sub-sectoral strategy document and value-chain model proposed by Iran, the Meeting proposed that both models should be test run by the proposing countries on a specific sub-sector (automobile) in order to assess and evaluate the possibility of their implementation and performance. The presentations on test runs were made during the 1st HLEG in Istanbul held in November 2005. It was agreed that an ECO Model may be prepared on the basis of Supply Chain and Value Chain Models which will be discussed during the next Taskforce Meeting.

98. During the Task Force Meeting, Mr. Badr Hashemi from the Islamic Republic of Pakistan was assigned to re-write the overall strategy for ECO cooperation on Industry. He presented the Draft to the 1st HLEG and 2nd Ministerial Meeting. The Ministerial Meeting appreciated the progress for preparation of ECO Regional Strategy on Industrial Cooperation requested the continuation of studies.

99. During EGMs, HLEG and SOM on Industry, some projects /project ideas in various fields of industries were identified i.e. petrochemical downstream, iodized salt, textile & clothing, mining, metallurgy and establishment of science & technology parks etc. The project proposals would be discussed in the forthcoming Steering Committee Meeting on Industry to select some priority projects.

100. The 2nd Ministerial Meeting on Industry also approved the Plan of Action on Privatization which was prepared during First Meeting of Heads of Privatization Administration in July 2004 in Tehran. In the Plan of Action, the member states agreed to (i) exchange information on privatization and private sector development, (ii) exchange experts/portfolio of companies to be privatized, organize long-term training courses, promote broader coverage of privatization related issues in academic studies and researches thesis; (iii) launching joint programs for industrial restructuring and rehabilitation; (iv) establishment of a network on privatization experts/officials

101. The Ministerial Meeting approved the "ECO Plan of Action on Privatization and Private Sector Development". The 2nd Meeting of Heads of Privatization Administration of the Member States and First Meeting of HLEG on Privatization is expected to meet in spring 2006 in Islamabad to discuss the modalities for implementation of the Plan of Action.

102. Small & Medium Sized Enterprises (SMEs) play a fundamental role in economic development and produce the largest part of the gross domestic product worldwide. They have a significant role in alleviating poverty especially by providing job opportunities. The 2nd Workshop on Development of Small

& Medium Sized Enterprises (SMEs) was held from 29 November to 3 December 2004 in Ankara and Istanbul-Turkey. In the SOM prior to the 2nd Ministerial Meeting on Industry, a special session was held on SMEs which considered the Draft Plan of Action on SMEs proposed by Republic of Turkey. It was agreed that the Draft Plan of Action, after consideration by the relevant authorities of the Member States, would be taken up by the Experts Group Meeting (EGM) on SMEs. The EGM will be held before the Second HLEG on Industry.

103. The Islamic Republic of Iran also proposed to establish an ECO SME website and establishing industrial clusters/estates in border cities/ areas. Small and Medium sized Enterprises Development Authority (SMEDA) of the Islamic Republic of Pakistan also conveyed a set of proposals titled "Development of SMEs in ECO Countries".

104. Standardization, accreditation and conformity assessment is another important area for industrial development. As per decision of the 15th RPC, the Draft Statute of proposed ECO Regional Organization for Standardization, Conformity Assessment, Accreditation and Metrology (ROSCAM) and Draft Strategy for cooperation on Standardization and related fields have been prepared by Turkish Standards Institution (TSE) and Institute of Standards and Industrial Research of Iran (ISIRI), as coordinator institutions in the fields.

105. The special session of the SOM, prior to the 2nd Ministerial Meeting, took note with appreciation the report on the actions taken presented by the Representatives of the Republic of Turkey and the Islamic Republic of Iran. Second Experts Group Meeting on Standardization, Conformity Assessment, Accreditation and Metrology and the First Meeting of Heads of Standardization Organizations and other related bodies will be held in Tehran on 15-18 January 2006 with a view to finalize the above mentioned documents and submit them for approval by the 16th Meeting of ECO Regional Planning Council and onward submission to the Council of Ministers for endorsement. *(To be revised After Heads of Standardization Meeting)*

106. ROSCAM will be instrumental in industrial development of member countries and enhancement of international trade through adoption of international standards in the region, harmonization of standards and reciprocal recognition of the laboratory test results etc. and speedier conformity assessment.

107. Industrial Property Rights is one of the areas of cooperation identified by 1st Ministerial Meeting. During the 1st SOM on Industry in November 2005 the member countries mentioned their major problems as inadequacy of legal framework, institutional structure and the need for capacity enhancement. The SOM also discussed the Draft Plan of Action on Industrial Property Rights proposed by Republic of Turkey and it was decided that this would be considered by the First Expert Group Meeting (EGM) on Industrial Property Rights where experts from authorized bodies would be present.

Tourism

108. Tourism is an important sector for the economic development and promotion of mutual understanding among the member states. Unfortunately, no ECO event was organized on the subject during last 10 years. During the 15th RPC Islamic Republic of Iran offered its readiness to host EGM on Tourism in Tehran which would be organized in 2006. The EGM will also prepare the Draft Plan of Action on Tourism. The Secretariat proposes that a permanent HLEG may be established on Tourism to identify the areas for ECO cooperation and monitor the progress in the field of tourism.

Human Resource & Sustainable Development

109. The issue of Human Resource Development has always been considered important for ECO member states. The establishment of the Directorate for Human Resource Development at the Secretariat was first proposed under ECO-UNDP Capacity Building programme, which was implemented in two phases during 1998-2003. Mr. Raga Makharita, under the "Capacity Building Needs" section of his Report, envisaged the Directorate consisting of three divisions: health and education, poverty eradication and drug control.

110. The 10th COM meeting held in Tehran in June 2000 approved the new organization structure as well as the work distribution in the Secretariat. Since within the new set-up, three priority areas of ECO activities namely; Trade and investment; Transport and Communication and Energy were determined and focused upon, it did not envisage creation of any Human Resource Development Unit in the Directorate of Agriculture, Industry and Health or a separate Directorate for this purpose.

111. However, later on 13th Council of Ministers (COM) held in June 2003, in Bishkek, set up an Eminent Persons Group (EPG). This Group was mandated to submit recommendations on the measures to promote efficiency and effectiveness of the Organization and the Secretariat. EPG in section D of its report which related to the of consideration of new priorities and new issues highlighted by international organizations such as UN Millennium Development Goals etc. recommended that “to take into account developments that have taken place in the international environment and in the member states, the issues of the human resource development, poverty alleviation, environment, agriculture and industry should receive increased attention from member states at national and regional levels”.

112. EPG report was submitted to the 14th COM meeting that was held in Dushanbe, Tajikistan in September 2004 which endorsed the report in principle and referred it back to CPR for further consideration. EPG report was deliberated upon thoroughly by the CPR and a Working Group created by it in several sessions. As a result of the discussions, the CPR recommended the establishment a new Directorate entitled “Directorate of Human Resources and Sustainable Development” to be in charge of Human Resource Development, Social Development, Drug Control Affairs, Health, Poverty Alleviation, etc. These recommendations were approved by the 15th COM held in Astana, Kazakhstan on October 1, 2005.

113. As a follow-up to the above approval, 105th CPR held on October 19, 2005 approved the Organizational Structure of ECO Secretariat with necessary adjustments, effective from 1st January 2006. This Directorate will work under the supervision of Deputy Secretary General (Administration & EME).

114. In the “ECO Vision 2015” adopted by 15th COM meeting as Basic Reference Document of ECO, Human Resource Development, Poverty Alleviation, Drug Control, Organized Crimes and Related Matters received specific attention as well.

115. Following the decision of the 15th COM meeting, the said Directorate will come into existence on the stipulated date i.e. 1st January 2006. Following action has already been taken to ensure smooth establishment of the Directorate.

- i) Draft Job Descriptions were prepared and circulated among the member states for their comments/views.
- ii) An office Order has been issued to put in place the new set up in the Secretariat by 1st January 2006 and the staffing needs of the new Directorate have been catered for.
- iii) A Working Paper and calendar of Events with around 10 activities have been prepared to be reviewed by the 16th RPC.

116. The new Directorate will be fully functional after the 16th session of RPC which is expected to give policy guidelines to this newly created Directorate and chalk out a work programme and strategy for the same.

117. As mentioned earlier, the new Directorate will look after issues such as Human Resource Development, Poverty Alleviation, Health and Drug Control related matters. Some of these issues were previously handled by the Directorate of Agriculture, Industry, Health and Tourism.

118. Similarly, matters relating to the cooperation in fight against the drug trafficking were being dealt with by the Drug Control Coordination Unit (DCCU) that was an independent unit in the Secretariat and was being financed with the assistance of the international organizations such as the United Nations Office on Drugs & Crime (UNODC) and European Union (EU). Following the completion of the second phase of the DCCU project financed by UNODC & EU on 31st December 2004, the Unit became part of the ECO Secretariat for which the budget has been provided by the Member States.

119. Up to now, two phases of the DCCU project for establishment and enhancement of regional drug control cooperation, coordination and implementation of ECO Plan of Action for Drug control among ECO Member States have successfully been completed during 1999-2004. Thus, the new Directorate will be responsible for the work earlier assigned to DCCU and carry its activities forward. Details of some of the activities recently performed or to be performed in this connection are given in the following paragraphs.

120. The Secretariat requested UNODC, Tehran to prepare Project Idea Document for the DCCU for a period of three years (2005-2007). The two sides held various meetings, in this regard, and finalized the Draft Project Idea titled "Empowerment of drug and crime control measures and promotion of regional and international cooperation in the ECO framework 2005". The Project Idea Document after approval from the ECO Secretariat and UNODC Office, Tehran, has been sent to UNODC Office in Vienna for approval and seeking International Financial Assistance.

121. The 2nd Training Workshop on Drug Demand Reduction (DDR) was jointly organized by DCCU at the ECO Secretariat, Tehran and TADOC (Turkish International Academy Against Drugs and Organized Crime), Ankara, Turkey on 20-23 September 2005. The DDR experts, National Focal Points and Liaison Officers of DCCU from the Republic of Azerbaijan, Islamic Republic of Iran, Kyrgyz Republic, Islamic Republic of Pakistan, Islamic Republic of Afghanistan and Republic of Turkey participated in the training workshop along with Information Analyst of ECO/DCCU and officials of TADOC. The participants informed about the current situation of DDR activities, as well as highlighted the goals and strategies of Drug Demand Reduction Policy in their countries.

122. The First Senior Official Meeting (SOM) on Drug Control Matters was held in TADOC/Ankara, on 20-22 December 2005 which was participated by the Islamic Republic of Afghanistan, Islamic Republic of Iran, Kyrgyz Republic, Islamic Republic of Pakistan, Republic of Turkmenistan and the ECO Secretariat. The SOM deliberated on the status of the implementation of ECO Action plan on Drug Control and recommended its revision in order to make it more compatible with the emerging trends and challenges related to the drug control in the region.

123. Therefore, considering the recent development, DCCU in line with the provision of the ECO Vision 2015 and recommendation of The First Senior Official Meeting (SOM) on Drug Control Matter, will try to enhance the its capacity, with the possibility of its transformation into a Regional Center for Drug Control and Organized Crime (RCDCOC), enabling to perform the duties and responsibilities arising from revised Action Plan; to define a multi-dimension source of financial resources to achieve the over arching policy goal;

124. ECO has had no specific programme for poverty alleviation, but its activities in different areas i.e. trade and investment promotion and facilitation, strengthening the transport infrastructures of the region, mobilizing and enhancing energy resources, industrial and agricultural activities directly or indirectly affects the economic and social development in the member countries. With the establishment of new Directorate, ECO will pay special attention to poverty alleviation and try to prepare regional strategy/ programs for member states in coordination with the international organizations involved in this areas i.e. UNDP, ADB etc.

125. In Health sector, eight events i.e. training courses, workshops etc. were organized in cooperation with UNFPA, UNICEF and WHO from 1994 to 2000. However, ECO cooperation in the field of health has not been satisfactory so far but it will receive more attention considering the new organizational Structure.

Project and Economic Research & Statistics

126. In terms of the reorganization of the ECO Secretariat as approved by the 15th COM, two existing directorates of the Secretariat namely; the Directorate of Project Research and the Directorate of Economic Research and Statistics are being merged with effect from 1st January 2006 to form a new Directorate titled Project and Economic Research & Statistics (PERS). A new Assistant Directorate of Coordination & Follow-up is being created that will in addition to servicing the decision making organs of ECO will also prepare follow-up reports previously being prepared by the Project Research Directorate.

127. Directorate of Project Research (DPR), as focal point for inter-sectoral coordination among various departments of ECO Secretariat to implement ECO decisions, plans, programs and policies, serves ECO's high decision-making organs such as Council of Permanent Representatives (CPR), Regional Planning Council (RPC), Council of Ministers (COM) and Summit. During the last working year it fulfilled nearly all task and recommendation referred to it by higher organs of Organization and the functions mentioned above, especially in the case of reconstruction of Afghanistan and implementation of related Plan of Action.

128. For the purpose of capacity building efforts of the Secretariat, from April 17-21, 2005 Directorate of Project research organized a training workshop with the assistance of UNESCAP on Participatory Project Design Based on the Logical Framework Approach.

Reconstruction of Afghanistan

129. The Reconstruction of Afghanistan enjoyed high priority in the Work Programme of the ECO Secretariat in 2005. During the 15th COM held in Astana in October 2005, the Islamic Republic of Iran announced a pledge of nearly US\$ four hundred thousand for ECO Special Fund for the Reconstruction of Afghanistan which was established as part of the Plan of Action on ECO's participation in the reconstruction of Afghanistan. As it may be recalled, Pakistan had already pledged US\$ five million for this purpose.

130. In order to utilize the above mentioned Fund, the Secretariat got in touch with the concerned authorities of the Islamic Republic of Afghanistan to identify a small/medium sized project which could be financed from the above mentioned Fund. In this connection, I undertook a mission to Kabul in June 4-7, 2005 to discuss the entire gamut of ECO's participation in the reconstruction efforts being made by the international community. During the visit, I was received by His Excellency Mr. Hamid Karzai, the President of the Islamic Republic of Afghanistan, and other high dignitaries.

131. As may be recalled, the 15th RPC had also requested the Afghanistan authorities to send concrete proposals through diplomatic channels to ECO Secretariat. Following my above mentioned visit to Kabul, the Government of Afghanistan conveyed a list of 10 projects. The Secretariat after short listing 3 projects recommended the reconstruction of Deh Mazang Public Park and Kabul Zoo at the estimated cost of US\$ 1.2 million. The project was later on approved by the 105th CPR meeting. The Afghan Government has been requested to carry an international tender for selecting the implementing agency. However, during the Seminar on ECO's participation in the reconstruction of Afghanistan held in Kabul on 9-10 November 2005, the concerned Afghan authorities pointed out that the amount agreed for this project would be insufficient in view of the size of the project. They were however advised to submit revised estimates supported by a feasibility study for consideration by ECO decision making bodies within six weeks.

132. An agreement to prepare a Feasibility Study for Reconstruction of Afghanistan of Nawar Bridge of Hesarak in Nangarhar Province was awarded to ECO Consultancy & Engineering Company (CEC), for an amount of US\$ 11,200 through an agreement signed on June 13, 2004, in Tehran. The engineers and technical experts of ECO-CEC visited the project site in July and August 2005 to collect data and carry out necessary studies. The draft feasibility report has been submitted to the Afghan authorities for comments/views. After receiving their point of views the report will be finalized.

133. Meanwhile, the ECO Secretariat has already proposed another Feasibility Study for the Construction of Canal Crossing in Farah Province of Afghanistan to the ECO's Council of Permanent Representatives (CPR) for coordination. However, the CPR will consider aforesaid proposed Feasibility Study after the finalization of the first Feasibility Study i.e. Nawar Bridge.

134. As per the provisions of the Plan of Action (PoA) and with the establishment of ECO Special Fund for Reconstruction of Afghanistan, a Seminar on the ECO's participation in Reconstruction of Afghanistan held on November 9-10, 2005 in Kabul Afghanistan in which seven member states namely Islamic

Republic of Afghanistan (host), Republic of Azerbaijan, Islamic Republic of Iran, Republic of Kazakhstan, Islamic Republic of Pakistan, Republic of Tajikistan, Republic of Turkey and representatives from ECO Secretariat attended. The representatives of the Asian Development Bank (ADB), the UN Conference on Trade & Development (UNCTAD) and the Turkish International Cooperation Agency (TICA) also attended the Seminar. The Seminar made some recommendations and future plans to make the ECO efforts aimed at the reconstruction of Afghanistan more useful.

List of ECO Projects

135. Upon the request of the 15th RPC meeting that asked the Secretariat to follow up the future course of action identified by the member states in respect of the list of ECO projects, the Secretariat circulated the updated list of projects vide note No. PR/List of Projects\2005\1389 dated July 31, 2005 to the member states and requested them to identify future course of action in connection with each project and inform the secretariat in this regard. Up to December 2005, the Secretariat received only response from Ministry of Foreign Affairs of Republic of Tajikistan. The updated list of ECO projects including those requiring feasibility studies in 2006 will be sent before 16th RPC to member states.

Cooperation with ECO-CEC

136. During the years, ECO-CEC has sought to receive the status of "Regional Institution/ specialized agency" of ECO. Upon the Recommendations of 14th and 15th RPC and 100th CPR that ECO-CEC may be considered for the status of "Regional Institution/ specialized agency", 15th COM meeting agreed with the recommendation and admitted ECO-CEC as "Regional Institution" of ECO and amended the ECO Organizational Chart in this regard.

137. ECO Consultancy and Engineering Company (ECO-CEC) is a joint venture between an Iranian company, PIDEK and TURKPAK, 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. Since its inception, ECO-CEC has tried to participate in the development projects to be sponsored by ECO member states, ECO Secretariat and ECO Trade and Development Bank and get a foothold in the ECO related development activities.

138. The company remains has successfully held two ECO conferences on the role of ECO-CEC in the member states first in Lahore on 27-30 March, 2002 and second in Ankara on 14-16 October, 2003. 3rd Conference on ECO-CEC' s Role in the Development of ECO member states will be hosted by ECO-CEC in Lahore Pakistan in February/March 2006. Exact date and necessary documentation for this event will be communicated to the Member States on receipt from ECO-CEC. This conference was earlier scheduled for 4-5 May 2005 but was postponed due to lack of interest by Member States and then it was rescheduled for November 16-18 2005 in Lahore Pakistan but it has been postponed at recommendation of ECO-CEC due to the developments caused by the earthquake that hit Pakistan in October.

139. Upon recommendation of previous two conferences held by ECO-CEC, ECO Secretariat is in contact with ECO-CEC to organize short-term training courses with local hospitality to the relevant experts from Afghanistan, Azerbaijan and Central Asian Republics member countries in the fields of highways, transportation, dams, power generation and transmission engineering. The Secretariat vide its letters Nos. PR/ECO-CEC/2005/0343 dated Feb.27, 2005 and PR/ECO_CEC/2005/0491 dated March 16, 2005 asked the Managing Director of ECO-CEC to convey their views on this subject. However in a meeting between the Secretariat and an ECO-CEC delegation held at the Secretariat on 25th May 2005, ECO- CEC was of the view that the cost of training may be shared by ECO-CEC and the Secretariat. The Secretariat is awaiting a detailed proposal from the company in this regard.

ECO Feasibility Fund

140. 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 coordinates action with other Sectoral Units and obtains CPR's approval for utilization of the Feasibility Fund within the framework of ECO Functional Methodology.

141. The 15th RPC keeping in view of the amount accumulated in the ECO Feasibility Fund, asked the member states as well as the ECO Directorates to propose studies for ECO projects in priority areas to be financed by the ECO Feasibility Fund.

142. The 104th and 105th CPR respectively held on September 14 and October 19, 2005 approved following three feasibility studies to be financed from the Feasibility Fund with the joint collaboration of other international organizations and asked the Secretariat to go ahead with the implementation process of this project:

- i) 2nd Phase of ECO/ITC Project to the tune of US\$ 50,000;
- ii) Establishment of ECO Agricultural Biotechnology Network (ECO-ABN) to the tune of US\$ 50,000 and
- iii) FAO – ECO Technical Cooperation Programme (TCP) on strengthening the seed supply in the ECO Region with special emphasis on Central Asia to the tune of US\$ 30,000— 40,000

143. The member states have again been requested to propose feasibility studies particularly in the field of Transport & Communications vide note no. PR/AFG/2005/1860 dated October 12, 2005 to be financed from this Fund.

Publication of the ECO Projects Document

144. The Secretariat, vide its note No.PR/DIR.ROS/2003/1292 dated July 26, 2003, circulated (i) Directory of Training and Research Institutions compiled from the member states i.e. the Islamic Republic of Iran, the Republic of Kazakhstan, the Islamic Republic of Pakistan, the Republic of Turkey and Turkmenistan (ii) Roster of Leading Experts and Consultants compiled from the Islamic Republic of Iran, the Islamic Republic of Pakistan, the Republic of Turkey.

145. 14th and 15th RPC asked the member states who have not conveyed the information to the Secretariat with regard both the publications to do so and requested the Secretariat to update the information and publish the revised versions of the Directory of training and research institutions and the Roster of leading experts and consultants from the member states. Therefore, the secretariat continued to collect updated information from the member states about the both Directory and Roster and circulates them to the member states. Furthermore, the Secretariat from time to time reminded the member states to provide information to the ECO Secretariat and the last deadline was set as November 15 2005. Despite repeated requests as mentioned above and deadlines fixed for the receipt of the relevant inputs, this information is not forthcoming from a number of member states. As of last publication of these two documents the Secretariat has received updated information only from Islamic Republic of Iran, Kyrgyz Republic, Islamic Republic of Pakistan, Republic of Tajikistan, Republic of Turkey and Turkmenistan.

146. The updated Directory and Roster is being prepared and will be circulated to member states shortly.

147. Those Member States that have not yet provided the requisite information or have new information in this regard may do so. The new information would be included in the next update of these publications.

Coordination Activities of the Directorate of Project Research

148. During the year 2005 DPR made significant contribution in the preparation of documentation for all the important meetings held during the year such as 15th COM, 15th RPC and CPR meetings. The Directorate also coordinated several meetings of the Working Group established by CPR to study and review the Recommendations of Eminent Persons' Group (EPG) and the ECO Vision 2015. The reports

prepared in this respect were subsequently presented to the 15th COM for approval/adoption. The Directorate also compiled the following follow-up reports/documents:

- a) Follow up Reports on the Implementation of the Decisions of 15th COM and salient actionable points of statements of Ministers/heads of delegations,
- b) Follow up Report on the Implementation of Eminent Person Group (EPG)
- c) Follow up Report on the Implementation of ECO Vision 2015
- d) Status report on implementation of ECO Calendar of events for 2005-2006
- e) Reports on the Implementation other Ministerial meetings
- f) Reports on the Implementation of the Decisions of 15th RPC
- g) A list of ECO events to benefit from Special Support Fund (SSF).

149. The profile of the Project Research Directorate will change considerably in the year 2006 in view of the decision by the COM to merge the Directorates of Economic Research & Statistics and Project Research and create a new Directorate of Coordination & Follow up to be headed by an Assistant Directorate. This decision was made in accordance with the recommendations of the Eminent Persons Group. Thus, the new Directorate will be entrusted with the task of serving the decision making bodies such as CPR, COM and the Summit. It will be responsible for preparing the documentation for their meetings and will also prepare follow up reports.

Economic Research and Statistics

150. Within its capabilities, the Directorate's main trust of programme on economic research and statistics is to strengthen and cooperate with national statistical and economic research centers/institutes for improved collection and dissemination of basic regional statistical data and conducting socio and macroeconomic analysis on issues of interest to the ECO member countries. It maintains databases that support time series data from 1996 up to the present on all member countries collected at regular intervals from the national statistical authorities in each member country.

151. The Directorate made notable contributions by preparing analytical studies and policy-oriented reports/research on issues related to the region's socio-economic progress for various ECO Summits/Meetings and other events in the past and will continue to do the same in the future.

152. Directorate also continues its analytical studies and policy-oriented research under programmes such as ECO Annual Economic Reports, Macroeconomic and Foreign Direct Investment Overview of the ECO region, Human Development Index performances of ECO countries, ECO Guidebook, ECO Statistical Bulletins, ECO Guidebook on statistical methodologies, ECO Website, Macroeconomic performance issues and policies in the ECO countries, Higher Global Oil Prices and the ECO Regional Economies, Cotton market in ECO region, Tourism in ECO region.

153. The Directorate has been coordinating various aspects of economic research and statistical activities including training workshops/seminars in the region through National Focal Points (NFPs) identified for effective performance of necessary cooperation. The Directorate organizes specific meeting for the NFPs on an annual basis. However, since December 2002, the 5th NFPs meeting could not be held due to lack of host authority and financial support. The 15th RPC agreed that if no member state voluntarily hosts the event then this meeting may be held on the sidelines of the next RPC meeting. In this regard, the Secretariat proposed that the 5th NFP's meeting may be held on the sidelines of the 16th RPC meeting, on a non-hospitality basis. In view of lack of confirmation from Member States of participation of the National Focal Points, the subject meeting was postponed to a later date. Therefore, arranging financial support from ECO Special Support Fund or receiving a host offer for the said meeting in 2006 from member states particularly (Kyrgyzstan, Pakistan, Tajikistan, Turkmenistan and Uzbekistan) those that have not hosted any NFPs meeting so far or any other suggestion offered by the member states to overcome this hindrance is of vital importance for the Directorate. The said meeting should immediately be scheduled in view of the fact that the 87th CPR delegated the proposal on establishment of the Economic Research and Statistics Center of the Economic Cooperation Organization (ECO) to be discussed in the NFPs

meeting. Moreover, draft ECO Framework of Cooperation and the Plan of Action in Statistics will also be discussed in the next NFPs meeting.

154. Implementation of assigned tasks and responsibilities retard due to the Directorate's limited technical and financial resources and poor cooperation/support received from member states in the concerned fields over the past years. In order to combine resources and increase the strength of Secretariat in the area of economic and project research and statistics, the 15th Meeting of the ECO Council of Ministers decided that the current Directorates of: Project Research, and Economic Research and Statistics will be merged into one Directorate. Merging of the said Directorates shall take place with effect from 1st January 2006.

155. The member states are kindly requested to concretize their expression of support in more tangible form to strengthen the role and functioning of the merged Directorate and:

- i) According to subpara (i) of para (ix) of declaration of 8th Summit meeting of the Economic Cooperation Organization (ECO) held in Dushanbe, Republic of Tajikistan, on September 14, 2004, advise their NFPs to provide the Secretariat with all requested statistical data and information to help Directorate in fulfilling its mandates.
- ii) Support Directorate, particularly by offering host facilities for its attempts to organize meetings, seminars, and workshops for coordination and implementation of its objectives and plans promptly.
- iii) In view of the importance of the 5th meeting of NFPs, the member states are requested to advise their respective NFPs to fully cooperate with the ECO Secretariat in this regard in order to ensure its smooth implementation.

156. In order to intensify the current activities of the Directorate in the field of statistics, the Directorate prepared and circulated the draft ECO Framework of Cooperation and the Plan of Action in Statistics among the Member States. The 15th RPC requested the Member States to convey their views/comments as soon as possible so that the same could be discussed in the meeting of National Focal Points on Economic Research & Statistics. The proposed plan of action framework envisages among the most important objectives of regional cooperation in statistics, support ECO's regional initiatives, planning and policy-making through the provision of comparable and timely statistics; harmonization of classifications, concepts, definitions, and measurements; adoption of international good practices; and promotion improvements in the official statistics. The progress of implementation of the Framework shall be reviewed once a year. The said Framework and Plan of Action was initially discussed by the 15th RPC which underlined that regional cooperation in statistics should be intensified and guided by principles of practical utility, quality, transparency, and accessibility, in conformance with international standards, while still ensuring confidentiality.

157. In accordance with para 156 of 15th RPC report, the final version of country-wise statistic bulletins of Kyrgyzstan, and Turkey in English and Russian languages and containing 260 socio-economic indicators divided into 20 major groups has been sent to publishing house for printing, while the statistic bulletin of Azerbaijan, was circulated to concerned authorities of the member state for final views/comments prior to their publication. The remaining member states' bulletins are underway and will be circulated soon. Therefore, member states are urged to make their best efforts in providing the required statistical indicators along with adequate meta-data to support users' needs and in particular, where national norms differ from international measures or underpinning assumptions may affect the indicator value materially.

158. Directorate prepared ECO Countries Key Indicators 2002 presenting the most current available economic, financial, and social data on the ECO member countries during 1996-2002. Presented by 27 tables these indicators are major electronic publication at ECO Website (www.ECOsecretariat.org), aiming to disseminate information on the social and economic development of the region. Considering the large number of Internet users accessing information on ECO member states from ECO Website the said indicators need to be updated and data gaps should be fulfilled, therefore the member states are kindly requested to provide adequate information, comments, and suggestions on both content and presentation

of Key Indicators 2003 to ECO Secretariat. Moreover, the Directorate updates these indicators and ECO Countries Key Indicators 2004 are under preparation.

159. The 15th RPC welcomed the plan of the Secretariat to embark on a feasible regional project plan attributable to ECO Feasibility Fund in collaboration with United Nations agencies and funds, the World Bank, IMF, and OECD for monitoring progress of ECO countries towards the achievement of the MDGs. In this regard, the Secretariat will elaborate a draft project proposal aimed at assessment of the country level needs and monitoring the progress in achieving MDGs. The Secretariat will establish contacts with relevant international organizations for developing in collaboration with the said organizations and member states a feasible regional project plan including regional seminars/workshops. The project will mark an important step in the ECO country's commitment to put in place the right policies and practices for achieving the UN set MDGs.

160. The Directorate took necessary measures, in consultation with UNDP to prepare a Human Development Report for the ECO region. However, the UNDP Headquarters advised that UNDP Regional Bureau for Europe and the Commonwealth of Independent States (RBEC) has been pursuing a programme for preparation of a regional Human development report, which also includes ECO countries. Therefore, ECO Secretariat's initiative to prepare a Human Development Report for the ECO region in consultation with UNDP-Tehran was postponed to avoid duplication. Nevertheless, ECO Secretariat had underlined that programme details of the RBEC in preparing a regional Human development report shall ensure that all ECO countries are covered and link ECO-UNDP (Tehran) programme and preparations with RBEC programme for future publication probably by 2006. Directorate is exploring a cooperation framework for possible contribution of ECO Secretariat to enhance the content and coverage of RBEC's current publication.

161. The Secretariat will work to strengthen human resources and technical capacity of the Directorate and give more priority to Directorate's staff to attend regional and international meetings in the related areas, to familiarize themselves with regional/international programmes/projects, with the approval CPR. Moreover, field visits will be undertaken to some of the NFPs of the Member States to promote effective information exchange and cooperation, subject to the approval of CPR.

Inter – Regional ECO Activities **Specialized Agencies, International Relations**

ECO Cultural Institute (ECI)

162. The 15th RPC meeting requested the member states signatory to ECI to participate in the third meeting of Board of Trustees to be hosted by the Islamic Republic of Pakistan on 25-26 April 2006. The member states except the Republic of Azerbaijan, Islamic Republic of Pakistan and Republic of Turkey are requested to provide their views/comments on the 3 year Plan of Action.

163. The overall structure of ECI 3 year plan under three main categories of "Arts and Crafts", "Media Communication" and "Sports" was successfully produced which was unanimously approved by the 94th Session of Council of Permanent Representative (CPR).

164. The 15th COM formally approved the appointment of Dr. Mehdi Sanaie as President of the ECO Cultural Institute (ECI) with effect from 7th September 2005 for the remaining tenure of Mr. Mohammad Ali Shoaee. The appointment was recommended by the CPR in its 102nd meeting on behalf of the Board of Trustees of ECI.

165. To build international recognition of ECI, series of communications with UNESCO, ISESCO, UNECE, the cultural division of ASEAN and WTO (World Tourism Organization.) have been initiated. ECI have had meetings with the Heads of some of these organizations. After several meetings with the UNESCO officials, a joint MOU between UNESCO and ECI is presently being drafted for final approval.

166. The ECO Cultural Institute organized a Photo Exhibition on 20-24 November 2005 in Tehran on the destruction caused by the earthquake that struck Pakistan on 8th October 2005 in collaboration with the Embassy of Pakistan. The exhibition depicted the miseries of the victims and highlighted the need for greater participation by the people in the relief efforts being undertaken by the Government of Pakistan and the international community.

ECO Science Foundation

167. The Secretariat circulated Revised Basic Documents (Rules of Procedure, Financial Regulations and Staff Regulations) among the member states, prepared by the concerned Pakistani Authorities. The response is still awaited from the member states.

168. The sample of the emblem and seal of the ECO Science Foundation proposed by Iranian relevant focal point was circulated to the member states. The Kyrgyz Republic supported the second sample of the emblem and seal of the foundation whereas Republic of Tajikistan requested their detail and colours.

169. The Islamic Republic of Pakistan vide their Note No. ECO-7(23)/2005 dated May 8, 2005 amended the section 8(a) of the draft Charter of ECO Science Foundation which was circulated to all the member states.

170. The 1st meeting of the BOT which was scheduled on 26-27 March 2004 was postponed by the I.R. of Pakistan and the new date is still awaited.

ECO Educational Institute

171. The 15th meeting of RPC reiterated its earlier call for expeditious completion of ratification formalities of the Charter of the ECO Educational Institute. The Council requested the Republic of Turkey to announce the dates for holding the first meeting of the BOT of the Institute to bring the Institute into existence. The representative of the Republic of Turkey informed the Council that the ratification of ECO Educational Institute by the Republic of Turkey was under process.

172. The Dushanbe Declaration issued at conclusion of the 8th ECO Summit also called upon the Member States who had not ratified the Charter of ECO Educational Institute to do so and invited the non-signatory Member States to accede to the Charter.

ECO College of Insurance:

173. The 15th meeting of ECO Regional Planning Council, held in Tehran on 14-17 February 2005 welcomed the recommendations of Eminent Persons Group (EPG) for the establishment of a Working Group to facilitate the transition of the ECO College of Insurance to the ECO College of Business Administration.

174. First and second meetings of the Working Group to facilitate the transition of ECO College of Insurance into ECO College of Business Administration were held on 12th September 2005 and 12th December 2005 at the ECO Secretariat, Tehran, respectively. The Working Group has proposed some amendments in the ECI Statute. The next meeting of the Working Group will be held soon.

Relations with Regional/International Organizations

175. The 15th COM meeting of the Regional Planning Council appreciated the effort of the Secretariat to promote relations with International/Regional Organization and UN bodies. The Council requested the Secretary General to further promote and strengthen cooperative relation with those organizations with which ECO had signed Memoranda of Understandings (MOUs).

176. ECO is seeking financial and technical support from International/Regional Organization like UNDP, FAO, UNESCAP, UNCTAD, IDB, UNODC, EU and there are emerging cooperation with OIC

Organs, ICARDA, Asian Development Bank, World Bank and other trade related international organizations.

177. The bi-annual Resolution by the UN General Assembly on ECO and UN cooperation has important bearing on ECO's relation with all UN agencies. We are preparing a resolution of cooperation between UN and ECO to be presented in the 61st Session of UN General Assembly to be held in September 2006.

178. Following up the decision of the 96th meeting of the ECO Council of the Permanent Representatives (CPR), a contract was negotiated and signed by the ECO Secretariat and the NESPAK-led consortium on 29 March 2005 for the preparation of the feasibility study on interconnection of the power systems of ECO member states financed by the Islamic Development Bank (IDB) Grant.

179. A Training Workshop on "Participatory Project Design based on the Logical Framework Approach" was jointly organized by the ECO and UNESCAP at the ECO Secretariat in Tehran-Iran from April 17-21, 2005. The trainers team of UNESCAP was headed by Mr. Rene Bastiaans, Chief Technical Cooperation Section. The workshop was part of ECO's efforts aimed at capacity building of its Secretariat. In addition to the members of the ECO Secretariat, the workshop was also attended by the officials of the Islamic Republic of Afghanistan, the Islamic Republic of Iran and the Islamic Republic of Pakistan. During the workshop detailed presentations were given on the Result Based Management and the Logical Framework Approach, the Role of the Millennium Development Goals, Environment and Sustainable Development and the Trade Policy. The participants were also given hands on exercise in the preparation of projects based on Logical Framework Approach.

180. ECO Secretary General headed the ECO Secretariat's first mission to Islamic Republic of Afghanistan on 4-6 June 2005. The basic purpose of the mission was to review the ECO Secretariat's participation in the international community's reconstruction efforts in Afghanistan and to get first hand knowledge about the projects being proposed by the authorities of Afghanistan to be undertaken by the ECO Secretariat in order to operationalize and activate the ECO Special Fund for Reconstruction of Afghanistan. During his mission ECO Secretary General met with the Country Director of UNDP in Afghanistan in which he gave brief information on the Agreement signed between Afghanistan Government and UNDP on the Promotion of Regional Supply of Goods, Services and Expertise for Reconstruction of Afghanistan.

181. The Tenth Consultative meeting of Executive Heads of Sub-Regional Organization of the Asia and the Pacific commenced in Kathmandu on 5-6 September, 2005. The two-day meeting hosted by South Asian Association for Regional Cooperation (SAARC) was participated by Heads of United Nations Economic and Social Commission for the Asia and the Pacific (UNESCAP), Economic Cooperation Organization (ECO), Association of South East Asian Nations (ASEAN) and Shanghai Cooperation Organization. The meeting discussed on issues ranging from regional trade and investment, economic development, preparation for mitigation of natural calamities, energy infrastructure and Millennium Development Goals (MDGs). The meeting agreed to the proposal of UNESCAP to establish two Working Groups (a) Working Group on Energy Trade and Power Interconnection and (b) Working Group on Disaster Management. Each Working Group will have two lead agencies. The working Group (a) will be led by UNESCAP and ECO, while Working Group (b) will be led by UNESCAP and SAARC with the involvement of other organizations. The Working Group will report to the Consultative Meetings and Executive Heads of Sub-Regional Organizations and UNESCAP.

182. The informal Meeting of ECO Council of Ministers was held on 19th of September 2005, at the UN Headquarters, on the sidelines of the 60th Session of UN General Assembly. The Meeting was coordinated and hosted by the Permanent Mission of the Republic of Kazakhstan to the UN and chaired by H.E. Mr. Kassymzhomart Tokaev Foreign Minister of the Republic of Kazakhstan as the current Chairman of the ECO Council of Ministers. Delegations from ECO States participated in the Meeting, including Ministers of Foreign Affairs of Iran, Turkey, Pakistan, Kazakhstan, Afghanistan and Azerbaijan, and Permanent Representatives of Turkmenistan, Uzbekistan and Kyrgyz republic to the United Nations. ECO's recent activities and future plans as well as cooperation between UN and ECO were amongst the

most important issues discussed during the Meeting. On conclusion of the Meeting, a Press Communiqué was issued.

183. The Ministers/Representatives exchanged views on recent ECO activities and discussed the ways and means of further strengthening ECO cooperation with UN agencies and other relevant international and regional organizations especially UNESCAP, UNDP and FAO and urged to further promote cooperation with other organs of UN.

184. An MOU with ASEAN is in the final stage of agreement and will be endorsed in near future whereas another two MOUs with the Asian-African Legal Consultative Organization (AALCO) and the Islamic Chamber of Commerce and Industry (ICCI) are under consideration.