

## The 15<sup>th</sup> RPC Meeting

### Report of ECO Secretary General on the ECO activities

( Tehran, 14-17 February, 2005 )

Annex-V

1. Preamble
2. Trade and Investment
3. Transport and Communications
4. Energy, Minerals and Environment
5. Agriculture, Industry and Health
6. Project Research
7. Economic Research and Statistics
8. International Activities

#### 1. Preamble

1. The 14<sup>th</sup> meeting of the Regional Planning Council took place on December 4-6, 2003 in Istanbul, Turkey. Since then many important developments have taken place with regard to the work and programmes of the Organization. In view of these developments, a comprehensive report has been prepared covering all priority sectors. The objective has been to brief the member states on what has been achieved with regard to various decisions of the high level ECO organs and what remains unrealized.

2. The 15<sup>th</sup> meeting of Regional Planning Council is expected to deliberate on the report in addition to the working papers already circulated by the ECO Secretariat. I expect the member states to examine the report carefully, bring out the short comings, both in terms of past decisions and future methodology, so that a meaningful attitude could be adopted to make the Organization more effective in the coming years. Also, RPC is requested to identify projects which can be pursued as regional projects.

3. Today, ECO region reveals greater dynamism. Its members encompassing 8 million square kilometers (twice the size of European Union) with well-educated population of about 370 million people (almost 6.0 percent of the world population) and a combined annual GDP topping more than US\$ 423 billion endeavours to reflect market economies. The economic recovery in ECO region, which was weakened in 2001 (1.1 percent), strengthened considerably in 2002 (7.3 percent) making it the one of the most dynamic regions in the world. Overall, the ECO region's total trade data reveals a volume of more than US\$ 198 billion and total intra-regional trade volume of ECO region (excluding Afghanistan data) in 2002 increased to US\$ 10.2 billion from US\$ 8.6 billion in 2001. However, the intra-trade ratio of the ECO region (excluding Afghanistan data) in 2002 alike the previous years could not overpass the threshold of 6.0 percent. Then again, FDI inflows to the region amounted to US\$ 8.3 billion in 2002 attracting 1.3 percent of global FDI. The improved external environment, combined with high oil prices, strong domestic demand and buoyant intraregional trade, allowed the region to grow in 2003–2004 at annual rates similar to pervious year. The steps toward the creation of an enlarged and economically integrated region are being observed. Ultimately, the region's assets and opportunities are so significant and complementary as to warrant the conclusion that under right policies the region is a strong for outstanding economic and social development in the coming years. Nevertheless, the ECO region faces some challenges such as neutralizing the negative effects of distance by developing globally competitive transport networks, identifying and exploiting the complementary strengths and developing mutual trust and marshal the necessary political will to respond the concerning challenges. The political will among the ECO member states has been crystallizing over the past 10 years. Broadly, member states are showing resourcefulness and tenacity in balancing and containing competing interests.

4. On the other hand, many issues such as inflation, external debt, unemployment, and poverty remain challenging in the region. However, the direction and rate of growth in the region are positive that the concentration of member states is no longer how to create growth but how to sustain and expand it and how to spread its benefits throughout the population.

5. ECO countries are approaching an historic moment of opportunity as significant world energy suppliers. At the present the member countries produces about 6.8 percent of world crude oil supply and absorbs about 3.7 percent of world crude oil demand. The region now exports more than 45 percent of the oil it produces, up from 40 percent during the 1990s. These present that the ECO process has an important role to play for energy cooperation in

the region. And it is in this regard member states' efforts to bring intraregional energy trade up to international standards in terms of risk mitigation, transparency, predictability, and competitive mechanisms will provide the necessary comfort to international project developers and lenders to provide financing for development of the energy resources of the region. Therefore, sufficient attention should be given to regional energy policies, institutional and regulatory arrangements, investment and commercial environments, energy pricing and subsidies for promoting regional energy cooperation.

6. Human development challenges remain large in ECO region nevertheless, ECO countries 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 2004, except two member countries, they were among 86 countries of World, which were in the group of medium human development. However, GDP per capita performance for most of ECO countries were 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 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.

7. Overall, confidence is high in the economic outlook for the region. Prospects for 2004-2005 indicate a continuation of existing trends on the assumption that the region experiences no negative shocks, the unraveling of global imbalances does not generate major disruptions in the financial markets and the economies of the region are able to maintain sound macroeconomic fundamentals while implementing ongoing programmes of reform and sustaining competitiveness at the same time. Aggregate GDP growth for ECO region is projected at 6.0 percent in 2004 and 6.2 percent 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 2 years. Consequently, achieving an appropriate balance between macroeconomic stability and restructuring in pursuit of sustainable growth will be crucial to the region's development.

## **2. Trade and Investment**

8. The prime objective of the Economic Cooperation Organization in the trade sector, as envisaged in its basic documents, is to take effective 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.

9. A two-track strategy is being followed for the liberalization of trade among the ECO countries.

- 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).

10. The signing of ECO Trade Agreement (ECOTA) is a major step towards realization of the objective of removal of trade barriers and establishment of Free Trade Area in the ECO region by 2015. Comprehensive in terms of commodity coverage, it will be implemented gradually over an eight years period and will scale down tariffs to a maximum of 15% on 80% of the goods traded. The 1<sup>st</sup> HLEG meeting on trade, investment and other related matters, held in Ankara on 13-15 January 2004, adopted a resolution for a fast-track approach for the early implementation of ECOTA. It envisages further reduction in tariff slabs from 15% to 10% within 5 years instead of 8 years.

11. It is hoped that the 2<sup>nd</sup> HLEG, scheduled to be held on 17-19 March 2005 will finalize the annexes of ECOTA, including fast track approach. The issues like preparation of Rules of Origin, procedures for the Cooperation Council, anti-dumping duties and negative lists of products etc. will be considered / discussed in the subject meeting. ECO Secretariat is of the opinion that progressive member states (Iran,

Pakistan and Turkey) may adopt an optional protocol to be attached to ECOTA, open to the remaining member states for the early implementation of ECOTA.

12. The 13<sup>th</sup> meeting of the Council of Ministers, held on June 11, 2003, at Bishkek (agreed to institutionalize the ECO Ministerial Meeting in the area of Finance and Economy on the patterns of other sectoral Ministerial meetings, as recommended by 72<sup>nd</sup> meeting of the CPR and 13<sup>th</sup> RPC.

13. The 1<sup>st</sup> ECO Ministerial meeting on Finance and Economy was held in January, 2004, in Islamabad, Pakistan and formulated policy guidelines for boosting cooperation among the member states in this field. The meeting urged the early establishment and operationalization of ECO Trade and Development Bank and ECO Reinsurance Company.

14. The Ministers of Finance agreed on the establishment of an HLEG, comprising the Senior Officials (focal points) of the Ministries of Finance/Economy and regulatory agencies of member states to study and suggest a framework for cooperation in the areas agreed upon. All the member states (except Turkmenistan) have designated their focal points and the Secretariat has requested the member states that one of them may volunteer to host the subject HLEG but the response of the member states is still awaited.

15. During the meeting training facilities and assistance in Commercial and Central Banking and facilities for printing banknotes, stamps and machine readable travel documents have been offered. As the meeting agreed on a framework of cooperation for sharing information and experiences among the member states should be developed and Central Banks of the member states may prepare a MOU to be signed in this regard. It was recommended that meetings of the Heads of Central Banks of the member states may be held/arranged on regular basis. The Secretariat has sought the opinion of the Central Banks of the member states for holding such meeting but has not yet received any information on the subject from any member states. In order to provide necessary financial mechanism to facilitate business among ECO member states, the Ministers decided that member countries may open bank branches in each other countries.

16. The strengthening of ECOSAI was also stressed upon and more active participation of the member states in ECOSAI was agreed. Pakistan offered training to officials of the member states in this area. Islamic Republic of Iran has also informed of its readiness to present any relevant courses which had been adopted by ECOSAI. So far, Tajikistan has informed of its needs. Other member states may inform at the earliest. The 10<sup>th</sup> meeting of the governing board of ECOSAI is scheduled to be held on 27-29 April, 2005 in Baku, Republic of Azerbaijan, in which the issue of training and other important issues will be deliberated upon.

17. As directed by the Ministers of Finance, the financial experts meeting to finalize the financial modality for establishment and operationalization of ECO Special Fund for reconstruction projects in Afghanistan was held in Kabul on April 21, 2004 and prepared/finalized the subject modality, which was approved by 14<sup>th</sup> meeting of COM. As per the instructions of 14<sup>th</sup> COM an account for the above mentioned purpose has been opened in Habib Allied International Bank, PLC, London and has been circulated for information to the member states. Member states may transfer their contributions to this account.

18. Also, the informal Finance/Economy Ministerial meeting was held in Washington on October 4, 2004, on the sidelines of the IMF/World Bank Meeting. The meeting was coordinated by the Turkish Embassy in Washington. The Ministers observed that such meetings would be useful for consultations. The 2<sup>nd</sup> meeting of Ministers of Finance and Economy is scheduled to be held in Turkey.

19. Customs cooperation among ECO member states goes back to 1994, when the First meeting of Heads of Customs Administration (HCA) was held in Pakistan. In the 7<sup>th</sup> HCA meeting, it was decided to institutionalize cooperation in this field in the form of Council of Heads of Customs Administration (CHCA).

The establishment of this body has given further impetus to the collaborative efforts of ECO in the field of simplification and harmonization of customs rules/procedures and training of customs officials.

20. The 3<sup>rd</sup> meeting of CHCA, held in Islamabad, Pakistan in March 2004 the Draft Agreement on Establishment and Operation of ECO Smuggling and Customs Offences Data Bank was approved with exception of Article-1(3) which requires further clarification for the active participation of the other member states. The Council requested the member states to send their training programmes planned for the year to the ECO Secretariat and other member states. Subsequently, a training course on different customs matters was held in Ankara, Turkey from 21-25 June 2004 and a training course on harmonization system was held in Tehran, Iran from 7-11 August 2004 for the experts of the ECO member states.

21. An MOU was signed between ECO and WCO on March 17, 2003 in Brussels. The signed MOU will enable two organizations to go faster and further in terms of implementation modern international standards for Customs procedures at regional level and it can ensure effective dialogue. The said MOU envisages to establish a systematic consultation and co-operation mechanism based on mutual information exchange, which reflects in the short term by marked progress at regional level, particularly in terms of: (a) Customs capacity building (b) combating drug trafficking (c) Harmonization of Customs procedures (d) Customs valuation. Cooperation in the field of customs being an important factor in enhancement and liberalization of intra-regional trade, the ECO Secretariat has been working very closely with the World Customs Organization (WCO) in imparting training to customs officials of the member states. WCO has also been sending their experts regularly to ECO meetings to enrich the deliberations by their expertise on various customs issues. The Customs is also a major area cooperation between ECO and Asian Development Bank's CSATTF Programme (Central South Asia Transport Trade Forum).

22. The importance of early operationalization of ECO Trade and Development Bank and ECO Reinsurance Company is acknowledged by the Dushanbe Declaration issued after the 8<sup>th</sup> Summit, the First Ministerial meeting on Finance/Economy and 14<sup>th</sup> RPC. The 14<sup>th</sup> COM, held in Dushanbe, Tajikistan on September 12, 2004 was informed by the Iranian delegation that the Finance and Economy Committee of the Parliament of Islamic Republic of Iran has agreed the participation of Iran in Trade and Development Bank without conditions and the agreement will be submitted to the plenary session of the Parliament for approval. As decided by Trilateral Interim Committee meeting held on April 6-7, 2004 in Ankara, Turkey to expedite the actions needed to be taken for early operationalization of the Bank and to have a new consultancy of the Business Plan for the establishment of Trade and Development Bank (TDB), the 89<sup>th</sup> meeting of CPR held on August 1, 2004 agreed on hiring of a consultancy firm to prepare the mentioned plan for ECO TDB to be financed from ECO Feasibility Fund. The process for new consultancy has been initiated. Draft modalities for selection of the Consultant was circulated by the Secretariat to be devised during the Trilateral meeting, scheduled to be held during 15<sup>th</sup> RPC meeting.

23. A Memorandum of Understanding (MoU) was signed in March, 1995 by Iran, Pakistan and Turkey for establishment of ECO Reinsurance Company. The objective of the company was to minimize the outflow of foreign exchange from, and to support economic development in the region, to supplement existing reinsurance services in the region and to promote growth of national underwriting and retention capacities.

24. A Trilateral Interim Committee, of three member states will meet from time to time to review the relevant issues and make efforts for the establishment of ECO Reinsurance Company. The last meeting of the Committee was held in Islamabad, Pakistan in June, 2004. To remove the lacunas in the draft Articles of Agreement and Headquarters Agreement will be the task of the trilateral meeting.

25. The First ECO Business Forum was held in October, 2002 in Istanbul. The 14<sup>th</sup> RPC and the 2<sup>nd</sup> ECO Ministerial Meeting on Commerce and Foreign Trade took note of the report of the First ECO Business Forum and asked the Secretariat to organize the 2<sup>nd</sup> ECO Business Forum. Due to non-availability of funds the said event could not be held in 2004. Afghan Chamber of Commerce and Industry intimated to host the 2<sup>nd</sup> Business Forum together with the 10<sup>th</sup> Executive Committee Meeting of ECO-CCI from 30<sup>th</sup> April to 3<sup>rd</sup> May, 2005.

26. The 7<sup>th</sup> General Assembly Meeting of ECO-CCI in Kabul, Afghanistan on April 20, 2004 decided that Afghan Chamber of Commerce and Industry has ECO-CCI Secretariat and Chairmanship in Kabul. The Founding member states also agreed to provide technical support to Afghan CCI to reactivate and make ECO-CCI an effective body of ECO. ECO Secretariat has already proposed to integrate a project on Capacity Building of ECO-CCI with 2<sup>nd</sup> phase of ECO/ITC project on promotion of intra-regional trade. ECO participated in the Conference on the Afghanistan's Regional Economic Cooperation: Central Asia, Iran and Pakistan (CAIP) organized by UNDP and Kyrgyz Government, held on May 10-12, 2004 in Bishkek. In this regard, an Agreement between Government of Afghanistan and UNDP on Promotion of Regional Supply of Goods, Services and Expertise for Afghanistan Reconstruction was signed. Both projects foresees the similar activities and recognizes ECO-CCI as a major player for the private sector promotion in the region.

27. The joint ECO/ITC project that aimed at promoting ECO Region's trade through organizing Buyers/Sellers Meeting and similar activities, which jointly being sponsored by ECO, ITC, UNDP and IDB. As an important step in implementation of the 1<sup>st</sup> phase of the ECO/ITC project; Buyers/Sellers Meetings on textiles & clothing sector (held in Istanbul, Turkey on October 17-18, 2001) and on food and beverages (Almaty, Kazakhstan on May 26-27, 2003) respectively, 1<sup>st</sup> ECO Business Forum, Product Selection Workshops and Demand/ Supply Surveys have been held in the years 2000-2003. The 1<sup>st</sup> phase of the ECO/ITC Project completed by holding 3<sup>rd</sup> Buyers/Sellers Meeting on Pharmaceuticals on December 16-17, 2004 in Istanbul, Turkey. The continuation of the 2<sup>nd</sup> phase of the project is under consideration by ECO Secretariat and ITC. It is expected to be started in 2005/2006.

28. In order to promote investment in the region, the Second ECO Regional Trade and Investment Conference, was held on April 18-19, 2004 in Kabul, Afghanistan. It was first-ever international event after 25 years was and first-ever ECO activity, hosted by Afghanistan following its accession to ECO in 1992. The revised draft APPI was also considered in the Meeting. It was decided to task the responsibilities for finalization of the said agreement to 2<sup>nd</sup> HLEG Meeting to be held in Pakistan on March 17-19, 2005, for submission to the 3<sup>rd</sup> Ministerial Meeting on Commerce and Foreign Trade.

29. Availability of trade related information is identified as the major problem in promotion of regional trade. In this regard ECO has developed an interactive Web portal ([www.tradeeco.org](http://www.tradeeco.org)) with the financial assistance of UNDP. The 3<sup>rd</sup> Seminar on Trade & Investment Information Networking in the ECO region was held on January 31 - February 01, 2005 in Karachi, Pakistan elaborated to improve ECO Trade-Net with the assistance of ITC.

30. It is imperative for the ECO to develop and strengthen relations with the relevant international and regional organizations to secure their technical and financial assistance in realizing the objectives of ECO. These organizations are: UN Agencies (UNCTAD, ESCAP, UNECE, ITC, UNDP), WTO, WCO, World Bank, Asian Development Bank, OIC/IDB and the International Road Union (IRU). In this regard ECO has continued to cooperate and deepen its relations with these organizations.

31. Among the regional organizations, from which ECO can draw useful lessons of regional cooperation, are EU, ASEAN, BSEC, etc. Apart from these organizations, ECO may also approach some donor institutions and countries such as ADB, Japan (JETRO), EBRD, Netherlands, Australia, Germany, Switzerland, etc. for financing of its priority projects.

32. ECO Member States shall support policies and strategies for the promotion and attraction of intra-regional trade in conjunction with effective privatization and overall private sector development policies and measures with emphasis on the development of trade related SMEs. ECO Member States shall intensify action to remove obstacles to business development, in particular regulations and administrative practices that obstruct to delay trade and investment with particular reference to the recommendations of the 1<sup>st</sup> ECO Business Forum.

33. Hence, adopting for a collective business, friendly trade enhancement methodology and approach for developing intra-regional trade appears to be more viable in the short to medium term. This approach has already been tested successfully within the framework of ECO/ITC Project. It is, therefore,



recommended that ECO-CCI's capacity should be strengthened to organize Business Forums, Buyers and Sellers (BSM) meetings on regular basis moreover should act as a pressure group to facilitate the inter-governmental process of regional trade liberalization.

34. The project titled "Investment Promotion Programme-Improvement of Investment Climate Conducive to Private Sector Development" prepared by UNIDO sent to Afghan concerned authorities for their views/comments. The views of Afghan authorities on the said project have already been received for submission to the forthcoming RPC Meeting. UNIDO had attended the both 1<sup>st</sup> and 2<sup>nd</sup> ECO Regional Trade and Investment Conferences.

### **3. Transport and Communications**

35. Expansion of trade and economic relations in the ECO region and with the countries out of the region has been one of the most important targets of the ECO member states since the very beginning after the formation of the Organization in its new structure. This goal could not be met unless an effective modern transportation and communication network would come into existence. That is the reason why transportation and communication have been chosen as one of the three priority areas of cooperation among the ECO member states.

36. Five Ministerial meetings on Transport and Communications which had been organized since 1993 have paved the way for implementation of vital decisions made in transport field. Besides, eight meetings of Heads of ECO Railway Authorities have provided a proper ground for discussing and expediting the projects and plans for expansion of the ECO member states in railway sector as one of the transportation means which enjoys a suitable infrastructures compared with other means of transport.

37. Also, ECO has conducted many projects with regard to the aims and goals of ECO Plan of Action for ECO Decade of Transport (1998-2007). Preparing Railway and Road Maps, Multimodal project, identifying the constraints of custom border cross points and such, are among the projects which their implementation have been under ECO activities.

38. Transit Transport Framework Agreement (TTFA) and its 8 annexures is one of the most important and comprehensive document provided for enhancing transport cooperation among the ECO member countries. Considerable efforts have been made by the ECO Secretariat for operationalization of this Agreement which have been signed by nine member states and ratified by five while awaits one more ratification to become operationalized.

39. Another important project in transport sector which needs realization of the member states' commitments is full operationalization of Container and Passenger trains on Istanbul-Almaty route. In this regard in the 8<sup>th</sup> ECO Summit in Dushanbe Declaration the member states were asked strongly to do their utmost for the early implementation of Trans-Asian Railway mainline. The 8<sup>th</sup> ECO Summit recognized the said project as one of the most significant transport projects within ECO regional cooperation framework.

40. With regard to Telecommunication and related issues, the Secretariat followed the holding of the 1<sup>st</sup> ECO Postal Authorities meeting in Kyrgyzstan after these activities were decided to be separated from telecommunication. This approach has provided a proper framework for cooperation in the area of Post more effectively. The postal activities such as issuance of the common stamp, holding the postal workshops and also introducing the postal training centres by some of the member states for future training programmes are among the objectives which are going to be realized soon.

41. The Secretariat has made considerable efforts for increasing its cooperation with international organizations and especial agencies. In these efforts the first phase of Multimodal Transport Project sponsored by UNESCAP, UNCTAD and IDB with ECO Secretariat as executing body has been implemented. The second phase of this project is now under way and supposed to be expedited in late this year. 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.

42. The Secretariat has succeeded in endorsing of a MoU on Railway Tariff Policy in International Freight Traffic which was signed by eight member states in Istanbul on July 6-7, 2004. The member states have committed to report their activities on harmonizing their railway tariff with the said MoU to the Secretariat.

43. Establishing an effective and modern transport and communication network in the ECO region is a great task which needs relentless efforts by all ECO member states. Operationalization of TTFA and positive contribution of the ECO member states to solve the remaining obstacles of operationalization of the regular and scheduled container and passenger trains moving between Almaty-Istanbul are two significant steps in moving towards the implementation of the projects in transport and communication sector.

#### **4. Energy, Minerals & Environment**

44. The 14<sup>th</sup> PRC meeting emphasized the need to continue the implementation of the outcome of the 1<sup>st</sup> ECO Ministerial meeting on Energy / Petroleum held in Islamabad in the year 2000. As per decision of CPR, the progress report on the implementation of the decisions of the above said meeting as well as the Plan of Action for Energy/Petroleum cooperation in the ECO region (2001-2005) has been prepared for consideration by the ECO relevant authorities and updated on a regular basis. However, in our opinion it is a time to review the implementation of the above said Plan of Action, revise or amend it, if necessary, for a new time period by the 2<sup>nd</sup> ECO Ministerial Meeting, which is expected to be convened by the end of this year. In this respect, we would like to reiterate our request to the member states, the Islamic Republic of Iran as host, to provide their utmost cooperation for the successful convening of the said important event.

45. Following up the matter of the feasibility study on interconnection of ECO countries power systems, the Secretariat upon the decision of the 83<sup>rd</sup> CPR meeting sent to the Islamic Development Bank all the bids received from the consulting firms/companies with a request to consider them and select a Consultant, with whom the ECO Secretariat would work on the implementation of the study. The IDB has informed the Secretariat about the result of their selection and, based on the request of the ECO Secretariat, extended the terms of project for the finalization of the issue by ECO. The matter is under finalization, and upon receiving the decision of CPR in this respect, the Secretariat would start the next step for carrying out the subject study.

46. New possibilities for regional cooperation on energy were examined during the First ECO Workshop on New and Renewable Sources of Energy held in Ankara, Turkey on May 27-28, 2004. Having discussed the text of the proposal of the ECO Secretariat for cooperation in this field of energy the participants agreed that the said document be reported to the Second ECO Ministerial Meeting on Energy/Petroleum for endorsement. Moreover, the participants recommended the setting up of an Experts Group on New and Renewable Sources of Energy and I believe that RPC, while taking note of the outcomes of the said Workshop, would accept the proposal on establishment of this Expert Group.

47. Taking into account the consideration of the 14<sup>th</sup> RPC meeting regarding the need for further cooperation with ADB, IDB, World Bank and other international financial institutions and organizations for the development and implementation of activities in the field of regional energy trade, the Secretariat has continued its contact/collaboration with most of them.

48. During the meetings held at the ECO Secretariat in October and December 2004, the Secretariat has exchanged the views with the World Bank representatives on the issue of possible cooperation between ECO and WB in the field of regional Energy Trade (Gas and Power). Both parties confirmed their intention for such cooperation and agreed that it might be arranged in the form of joint study, events, etc. A concrete framework for this cooperation may be defined upon the final consideration by the Bank.

49. ADB in its recent correspondence has also expressed its interest to further exploring the prospect for ADB-ECO collaboration in the energy sector and asked ECO to identify a specific project for joint undertaking. In the responding communication of the Secretariat sent to ADB a draft project proposal for collaboration between the two organizations on the promotion of Renewable Sources of Energy in the ECO region was submitted. A proposal for study on NRSE in the ECO region was prepared by the

Energy, Minerals and Environment Directorate and circulated to the member states to be discussed at the 15<sup>th</sup> RPC meeting.

50. The OPEC Secretariat has agreed with the proposal of the ECO Secretariat regarding the convening of a Joint ECO/OPEC Workshop on International Petroleum Market in 2005 in Tehran and, as per information received from the host Iranian authorities the organizational process for this event is going on.

51. We would like to appreciate the readiness of the concerned Turkish authorities to organize the international training courses on Energy Conservation and Efficiency with the invitation of participants from the ECO countries annually, under the new JICA Project started in 2004. It may be considered as the continuation of the similar training cycle arranged in Turkey in 2002 and 2003. In this section, we are also expecting the convening of the 2<sup>nd</sup> ECO Workshop on Energy Conservation and Efficiency, offered to be hosted by the Islamic Republic of Pakistan.

52. The 14<sup>th</sup> RPC meeting requested us to finalize the submission of the required data by the member states for compilation of ECO Mineral Data Booklet (MDB) in order to arrange the publishing of the first version of MDB. To date, all member states have submitted their information to be included in the above-mentioned MDB and Secretariat has sent all the received data to the Project Manager in Turkey. Upon receiving the first version of that Booklet, the team of experts from the member states may consider it and finalize it for the publication.

53. Secretariat has also followed up the matter of establishing an on-line dynamic and multipurpose ECO Mineral Data Bank and preparation of the Metallogenic Map, etc. which was mentioned by the 14<sup>th</sup> RPC meeting. In this respect the relevant views/opinions of the member states were received and, while summarizing them, the Secretariat came to the opinion that the subject matter needed to be considered at the expert level. The Secretariat has addressed IDB the Terms of Reference of the "Feasibility Study of the On-line, Dynamic and Multi-purpose ECO Mineral Data Bank" prepared by the Islamic Republic of Iran with the request for their financial support with regard to the implementation of that project. The 3<sup>rd</sup> ECO Mineral Experts Group Meeting planned to be held in 2005 may consider the subject matter among the other mineral sector issues.

54. The 14<sup>th</sup> RPC meeting emphasized the need to continue the support of the relevant authorities in the member states for implementation of the outcome of the 1<sup>st</sup> ECO Ministerial Meeting on Environment including the Plan of Action for Cooperation among the member states on Environment (2003-2007). As it was envisaged in that Plan of Action, the National Focal Points on Environment were appointed by all member states to facilitate coordination of the implementation of the Plan of Action, with whom ECO Secretariat commenced direct e-mail communication to enhance working contacts.

55. The ECO Working Group on Environment (WGE) was established according to the ECO procedures to prepare the implementation plans for cooperation in the different fields of Environment and its two meetings were held on 7-8 April 2004 in Ankara and on 4-5 August 2004 in Tehran. These meetings have focused on the consideration and endorsement of the modifications proposed by the member states to the Plan of Action on Environment and on the issue of its implementation, including the proposals/offers of the member states in this respect.

56. The themes of preservation and management of water resources and the Environmental Impact Assessment were comprehensively dealt with at the ECO Workshop on Waste Water Management and Treatment Technology and the Second Experts Meeting on Energy Resources Development and their Environmental Impact Assessment (EIA), which were convened at the Eastern Mediterranean University of Gazimagosa and in Tehran in May and August 2004, respectively.

57. The outcomes of the above mentioned meetings were considered and appreciated by the Second ECO Ministerial Meeting on Environment held on 6 October 2004 in Istanbul, Turkey. The Ministers/Heads of Delegation attending that Ministerial Meeting also adopted the modifications to the Plan of Action on Environment and Istanbul Communiqué on Cooperation in the field of Environment. As per the meeting's request, the approved amended text of that Plan of Action was circulated among the Member States, accordingly.



58. The 2<sup>nd</sup> ECO Ministerial Meeting on Environment welcomed the proposals/offers of the member states made with regard of further implementation of the Plan of Action on Environment. Between them the proposals on the development of Eco-tourism and Environmental management systems, formulation of ECO regional Plan of Action for the Protection of the Biodiversity, cooperation on Marine Environment, establishing the ECO College of Environment and arrangements for ECO Environmental Awards, preparation of an Ecosystems Goods and Services Digital Atlas, establishing of e-mail group for environmental information exchange and others. It is expected that the upcoming 3<sup>rd</sup> WGE meeting will consider them in details and provide practical recommendations on their realization.

59. With regard to the publication of the ECO Quarterly Bulletin on Environment, which was also stressed by the Ministerial Meeting, Secretariat has received the relevant materials/articles from the Islamic Republic of Iran, Islamic Republic of Pakistan, Republic of Azerbaijan, Republic of Tajikistan and, with financial and expert support of the Iranian Department of Environment, has prepared its first issue for publication. All the Member States are kindly invited to forward their relevant material regularly, for the publication in the next issues of that Bulletin.

60. While discussing different aspects of cooperation of ECO with International Organizations/Financial Institutions in the field of Environment, the 2<sup>nd</sup> Ministerial Meeting stressed the need to further the cooperation with the international organizations such as UNEP, UNESCAP, UNDP, UNIDO, WMO, IDB, ADB, World Bank and GEF, especially on project basis. In this connection I would like to inform, with satisfaction, that Memorandums of Understanding on cooperation between ECO–UNEP and ECO-World Meteorological Organization were signed in August and December 2004, accordingly.

61. ECO Secretariat and concerned Focal Points in the member states have been cooperating with ESCAP in the compilation of a report on the State of the Environment in Asia and the Pacific 2005 (SOE 2005), within the preparation for the forthcoming 5<sup>th</sup> Ministerial Conference on Environment and Development in Asia and the Pacific to be held in March 2005. The said report may provide a rich source of data on the Environment in the ECO region. This cooperation of ECO with UNESCAP was highly appreciated by the head of the UNESCAP as well as by the participants of the 2<sup>nd</sup> ECO Ministerial Meeting on Environment.

62. We appreciate the kind offers of the Republic of Kazakhstan and the Islamic Republic of Pakistan to host the 3<sup>rd</sup> ECO Ministerial Meeting on Environment in 2006, made in Istanbul on 6 October 2004. I hope that this RPC meeting could decide on the exact date and venue for that upcoming event.

## **5. Agriculture, Industry, Health, Tourism**

63. Agricultural development and food security initiatives are key means to contribute to economic growth and alleviation of poverty are of high importance in the regional cooperation in the ECO region. The joint Studies carried out during the recent years by ECO and other international organizations e.g. FAO, ITC/UNCTAD and UNDP have shown that ECO region has a great potential for development of a strong agricultural cooperation.

64. The 1st and 2nd Ministerial Meetings on Agriculture approved two important documents i.e. Islamabad and Antalya declarations providing the general framework and priority areas of cooperation in the agriculture sector and specifying a coordinator country for each sector e.g. drought management (Iran); water management (Pakistan); trade promotion (Turkey); development of post-harvest and processing industry (Turkey); Livestock development (Iran) etc. The ECO Secretariat in close cooperation with the coordinator countries is trying to take the necessary steps for laying the ground for an institutional and evolving cooperation in the above mentioned fields.

65. In order to provide a comprehensive long term framework for the ECO cooperation in agriculture sector, the ECO Secretariat with the technical and financial support of the United Nations Food and Agriculture Organization (FAO) is preparing the ECO regional strategy for agriculture development and

food security. It is expected that the draft ECO Regional Strategy for Food Security and Agriculture Development will be finalized by early 2005.

66. With regard to drought management and mitigation, the ECO Plan of Action on Drought Management has been approved during the 2nd Ministerial Meeting on Agriculture (6-7 December 2004, Antalya). Moreover, in line with the decisions of the 1st SOM on Agriculture and the 2<sup>nd</sup> Ministerial Meeting on Agriculture, Islamic Republic of Iran have initiated the process to establish a Regional Center for Drought Management and Mitigation in the ECO Region in Iran and a Regional Sub-Center for Risk Management of Natural Disasters (especially Drought Monitoring and Early Warning Center) in Mash'ad to address the metrological aspects of droughts in the region. Recently, an MOU was signed between ECO and World Meteorological Organization (WMO) that paves the way for effective involvement and contribution of WMO in the ECO activities in the field of drought mitigation and management. It is expected that the Regional Sub-Center for Risk Management of Natural Disasters will be operational soon in Mash'ad.

67. In the field of development of post harvest and processing industries as another priority area in Agriculture sector, the Republic of Turkey hosted the ECO Workshop on Post Harvest and Processing Technologies of vegetables and fruits on 13-14 October 2004 in Yalova. Strengthening the links between existing national and international institutions in the field of post-harvest handling through annual or biannual meetings of experts/high level experts, preparation of a regional program for addressing post harvest problems, establishment of a website, preparation of loss prevention manuals for major ECO crops, and networking relevant experts and institutions are among the recommendations of the workshop. The Turkish authorities are also planning to organize another Workshop on prevention of post-harvest losses of cereal and pulses in 2005.

68. As an initial step for expansion of agro-trade among the ECO member countries, there is a need to harmonize the rules and regulations of member states on food safety, sanitary and phyto-sanitary issues. The 1<sup>st</sup> SOM on Agriculture welcomed the proposal of the Plant Protection Organization of the Islamic Republic of Iran to be the coordinator in phyto-sanitary issues.

69. The Second Ministerial Meeting on Agriculture considered the proposal of the Secretariat on a FAO/ECO Regional Technical Cooperation Program (TCP) project for capacity building enhancement in ECO member countries on WTO Agreement on agriculture and food safety regulations. In this regard, it was decided to follow up the issue with FAO to include the project under the Umbrella Program for capacity building on WTO Agreements on Agriculture. In the meantime, the matter will also be followed up within the FAO-TCP Project for Food Security in the ECO region. The secretariat is of the view that the instructions of the member states to their representatives to FAO to strongly support the proposal for launching a regional programme for capacity building in the ECO member states on WTO agreements on agriculture and food safety regulations with the financial/technical contribution of FAO would facilitate and ensure our success in this regard.

70. In order to protect rich genetic resources of ECO region with around 8 Million km<sup>2</sup> of land, rich bio-diversity, various eco-systems and climatic conditions, there is a need to start negotiations and cooperation among the member countries involving all stakeholders, to reach an agreement for the conservation and sustainable use of plant and animal genetic resources, as well as the fair and equitable sharing of benefits arising from their use. In this connection, the 1<sup>st</sup> Senior Officials Meeting on Agriculture and the 2<sup>nd</sup> Ministerial Meeting on Agriculture identified the Islamic Republic of Iran and the Republic of Turkey as coordinator countries for conservation of plant and animal genetic resources respectively. These countries will initiate and coordinate the ECO regional cooperation on these fields. The offer of Islamic Republic of Iran to establish a Network for Agricultural Biotechnology was also welcomed and endorsed by the 2<sup>nd</sup> Ministerial Meeting on Agriculture.

71. There are great potentials and opportunities for development of livestock sector in the region that is being threatened by the outbreaks of animal diseases. The proposal for establishment of a Permanent Commission for Prevention and Control of Animal Diseases in the region and establishment of Buffer Zones in Border Areas of ECO Member States for Animal Quarantine were approved by the 1<sup>st</sup> SOM on

Agriculture. The Commission would supervise an overall analysis of the latest situation of animal diseases in the member states, trans-boundary movement of animals in the region, and problems in preventing/controlling/eradicating livestock diseases in the region. The 1<sup>st</sup> Meeting of the Heads of Veterinary Organizations scheduled to be held on 1-3 September 2005 in Tehran will finalize the Draft Terms of Reference of the Commission. In order to assess the existing problems and potentials of the livestock sector in the region and in line with the decision of the 2<sup>nd</sup> Ministerial Meeting on Agriculture and the 1<sup>st</sup> SOM, Islamic Republic of Iran as coordinator country for ECO cooperation in the field of livestock development and health, will initiate a comprehensive survey on the situation of livestock sector in the region. This survey will lead to preparation of the ECO sub-sectoral strategy for livestock development.

72. 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 on September 1-5, 2005 also recommended launching a regional program on Integrated Pest Management (IPM) in the region.

73. ECO external cooperation on agriculture is one of the most active areas in its relations with the international/regional organizations. In this sector, the Secretariat has established institutional relationship with the FAO since the signing of the Memorandum of Understanding (MOU) in 1997. In line with the decisions of the 1<sup>st</sup> ECO Ministerial Meeting on Agriculture, FAO provided assistance to the ECO Secretariat and its Member Countries through a Technical Cooperation Program (TCP) to support ECO for preparation of a Regional Program for Food Security (RPFS) which was signed by both sides on April 7, 2003. FAO has also offered another TCP project for strengthening seed supply in the ECO region with a particular emphasis on Central Asia which was supported by the Second Ministerial Meeting on Agriculture. FAO and ECO Secretariat have already drafted a TCP document which will be circulated among the member states for signature before formal application to FAO. The TCP is expected to be signed by FAO and ECO Secretariat in the first half of the year 2005. ICARDA is the proposed implementing agency.

74. The organization of 1<sup>st</sup> ECO Ministerial Meeting in the field of Industry in January 2004 in Tehran was a major development in ECO Activities in the field of industry. The Ministerial Meeting adopted the Plan of Action for Industrial Cooperation in the ECO region and has taken a number of important decisions for improvement of investment climate in the region, cooperation on industrial restructuring efforts (privatization, industrial policies, private sector development), trade promotion, development of small & medium sized enterprises, technology transfer and management, intellectual property rights related to industry etc.

75. Under the directives of the Ministerial Meeting on Industry, ECO is preparing its Regional Strategy on Industry. The 1<sup>st</sup> Meeting of the Experts Group, established for this purpose, was held in Ankara in September 2004 and the 2<sup>nd</sup> Meeting of the Expert Group is scheduled to be held in Islamabad on 14-17 March 2005. Draft text of the strategy has already been prepared and circulated among the member countries and international organizations like UNIDO for their views/comments and possible contributions.

76. The Expert Group Meeting for Preparation of the ECO Industrial Strategy has also determined seven sub-sectors and coordinator countries respectively for preparation of detailed studies through questionnaires for assessing the potentials and needs of the member countries in these sub-sectors and to prepare sub-sectoral strategies. The areas, in which the studies are being carried out by the coordinator countries, are automotive and automotive parts, transportation, chemicals & petro-chemicals, mining & metallurgical, textile, leather & clothes, agriculture & food processing, electric & electronic home appliances industries. Some of the questionnaires have already been developed by the respective coordinator countries and circulated among the member states. An early reply along with proposals of member countries for regional cooperation is kindly requested.

77. The 1<sup>st</sup> Meeting of the Heads of Privatization Administration, held in July 2004 in Tehran drafted a Plan of Action on Privatization by which the member states agreed to exchange policy documents, legislative and regulatory frameworks, compilation of experts/portfolio of companies to be privatized, to establish a ECO pool of privatization consultants, to launch joint programs for industrial restructuring and

rehabilitation etc. The said draft Plan of Action would be considered by the next ECO Ministerial Meeting on Industry for approval (scheduled to be held in Istanbul in 2005).

78. Cooperation in Standardization, Accreditation and Conformity Assessment is another important area in which the Organization is focusing more. In this regard, a workshop was held in August 2004 in Ankara, Turkey. The workshop recommended the establishment of a Regional Standardization Center and an ECO Accreditation Board. Pakistan expressed its readiness to host the Board in Pakistan and Turkey expressed its readiness to host the ECO Standardization Center in Ankara, Turkey. Iran has proposed to host the First Meeting of Heads of Standardization Organization of the member states in August 2005.

79. The ECO Workshop on Development of Small & Medium Sized Enterprises (SMEs) held on 29 November to 3 December 2004 in Ankara – Istanbul, Turkey recommended the establishment of an Information & Data Network/Website on SMEs, exchange of policy documents/experts, organization of specific themed workshops on capital venture systems and greater cooperation among Technology Development Centers, R&D funds, universities and other relevant institutions.

80. ECO arranged various activities in the field of health since 1994 in cooperation with international organizations e.g. UNFPA, UNICEF and WHO. The 14<sup>th</sup> Meeting of RPC agreed with the proposal to organize a meeting of Heads of Red Crescent Organizations of the member states to enhance cooperation among these organizations and to enhance the preparedness of the member countries in the times of disaster. The said event would be organized in 2005.

81. The Quetta Plan of Action (1993) stressed the need to take necessary measures for facilitation of visa issuance and to promote cooperation between the tourism organizations/ travel operators within the region. The Istanbul Declaration (1993) also called for the need to take action on the basis of the recommendations already worked out at the first and second ECO Expert Group Meetings on Tourism, held on 27-28 February 1992 in Istanbul and on 27-28 April 1993 in Tehran, respectively. The 14<sup>th</sup> Meeting of RPC appreciated the willingness of the Islamic Republic of Iran to host the 3<sup>rd</sup> ECO Experts Group Meeting on Tourism to review the long-term perspectives and to consider the preparation of the Draft ECO Plan of Action in the field of Tourism. The said meeting would be held in Tehran this year.

82. The 10<sup>th</sup> meeting of the RPC recommended the holding of Ministerial Conference on Human Resources Development. However, it was not materialized as the subject could not be attributed to one ministry and needs an interdisciplinary and inter-ministerial approach which requires thorough consideration before embarking on such a ministerial meeting. One of the goals of the ECO Plan of Action on Industrial Cooperation is to contribute economic and social development of the region through development of human resources and entrepreneurial skills. In industry sector, Pakistan is the coordinator country for Development of Human Resource and Technical Cooperation and already is in the process of preparing specific plans and programs in this regard.

## **6. Project Research**

83. ECO attaches the high priority to the reconstruction efforts going on in Afghanistan and would like to be a part of it. In this connection; 14<sup>th</sup> Meeting of Council of Ministers (COM) held in Dushanbe on September 12, 2004 approved Modalities for the establishment of ECO Special Fund for Reconstruction of Afghanistan. Pakistan has already pledged US\$5 million to this Fund. ECO has opened an account in Habib Bank in London for receiving possible contributions of ECO member states.

84. An agreement to prepare a Feasibility Study for Reconstruction of Afghanistan of Nawar Bridge of Hesarak in Nangarhar Province has been already signed between ECO Secretariat, ECO Consultancy & Engineering Company (CEC), the implementing agency, and the Islamic Republic of Afghanistan (Represented through its Embassy in Tehran) on June 13, 2004 and the necessary payment was made to ECO-CEC in this regard. ECO –CEC has been working with Afghanistan side.

85. 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) based in Tehran for coordination. However, the CPR will consider aforesaid proposed Feasibility Study after examining the progress on the first Feasibility Study i.e. Nawar Bridge.

86. The government of Afghanistan has appointed Eng. Mr. Abdul Qahar, Member of Survey and Project Formation Ministry of Public benefit as coordinator for aforesaid project. The Secretariat has already sent him and MFA of Afghanistan letters and requested to identify concrete small – size reconstruction projects to be financed from the ECO Special Fund for Reconstruction of Afghanistan. Therefore; reply to this letter is anticipated from Afghan authorities.

87. As per the provisions of the Plan of Action (PoA) and with the establishment of ECO Special Fund, the member states may consider organizing an ECO Seminar on the Reconstruction of Afghanistan. Also, the same (PoA) envisages Afghanistan's participation in ECO events, continuation of bilateral assistance and training courses and identification of focal points etc. The implementation of (PoA) is being followed up by the Directorate and it is expected to be completed in December 2007.

88. The list of ECO projects including those requiring feasibility study was prepared and circulated among member states for evaluation of such projects as high, medium and low. The Secretariat requested the member states to provide more details so that some projects' profiles could be presented to international donors. The DPR continued to update ECO list of projects.

89. The implementation of ECO-UNDP Capacity Building Project was terminated at the end of 2001. As a second phase of the ECO-UNDP programme both the organizations agreed to implement a joint project in priority areas of ECO in 2002 and 2003. The agreed joint programme aimed at generating solution for the alleviation of trade barriers as well as strengthening the capacity of ECO staff for technical analysis in the area of trade, investment and transport. The programme was completed by end of July 2003. The member states may give their proposals if any, on areas of cooperation with UNDP for the next phase of the programmes.

90. A central resource pool was created in the shape of ECO Consultancy and Engineering Company (Pvt) Ltd., or ECO-CEC, to participate in the development projects to be sponsored by ECO member states, ECO Secretariat and ECO Trade and Development Bank (in the process of establishment) .

91. Since its inception, ECO-CEC has tried to get a foothold in the ECO related development activities. So far it has been able to secure one of the projects on reconstruction of Afghanistan, although member states are pursuing many projects in their areas. The company remains keen to promote and develop expertise and for this it 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. The ECO-CEC is going to prepare two feasibility studies for priority projects of reconstruction of Afghanistan to be financed from ECO Feasibility Fund.

92. Furthermore, within the framework of the recommendations made by the Conferences, the Secretariat would like to call upon the remaining member states to urge their business companies to participate in ECO-CEC as partners. 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. Keeping in view the amount accumulated in the Fund so far (approximately US \$ one million); the member states as well as ECO Directorates have been requested to propose studies in priority areas to be financed by the Fund.

93. 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 and Roster of Leading Experts and Consultants compiled from the Islamic Republic of Iran, the Islamic Republic of Pakistan, and the Republic of Turkey. Those member states who have not conveyed the information to the Secretariat with regard of both the publications are requested to do so. The Secretariat is planning to publish revised versions of the Directory and the Roster. Therefore, the Secretariat on



November 25, 2004 again requested those member states who had not conveyed information earlier to do so at the earliest. On the other hand, the Member States who had already conveyed information which has published in the first versions of the publications may also like to provide updated information to be included in the revised versions.

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

95. DPR made all necessary preparations including agendas, draft reports working papers etc. for meetings held during 2004, CPR meetings, (85<sup>th</sup> – 94<sup>th</sup> meetings of CPR), 14<sup>th</sup> RPC, 14<sup>th</sup> COM and 8<sup>th</sup> Summit. DPR also prepared and submitted to CPR in 2004;

- a) Report on the Implementation of the Decisions of 14<sup>th</sup> COM, 14<sup>th</sup> RPC and 8<sup>th</sup> Summit meetings;
- b) Report on the Implementation other Ministerial meetings; and
- c) A list of ECO events to benefit from Special Support Fund (SSF).
- d) Organizing the meetings of Eminent Persons Group (EPG) and submit the report to CPR, COM and Summit. In addition, organizing the Working Group on EPG recommendations and prepare the reports and circulate among member states.
- e) The Directorate in coordination with the other units in the Secretariat prepares a status report on signed Agreements / MOUs for submission to the decision-making organs of ECO i.e. CPR, COM and Summit.

## **7. Economic Research and Statistics**

96. 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, in order to produce effective socio and macroeconomic analysis for monitoring aforementioned challenges and progress in the region. 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.

97. The Directorate made notable contributions by preparing analytical studies and policy-oriented research on issues related to the region's socio-economic progress for the 2<sup>nd</sup> ECO Regional Trade and Investment Conference (Kabul, Afghanistan, April 18-19, 2004), 1<sup>st</sup> ECO Ministerial Meeting on Industry (Tehran, Iran 27 January 2004), 1<sup>st</sup> meeting of the ECO Ministers for Finance/Economy Islamabad, Pakistan, January 30, 2004), 8<sup>th</sup> ECO Summit meeting (Dushanbe, Tajikistan 14 September, 2004), 14<sup>th</sup> ECO Council of Ministers meeting (Dushanbe, Tajikistan 12 September, 2004), ECO News Bulletins and ECO Website.

98. Directorate also continues its analytical studies and policy-oriented research with programmes such as ECO Annual Economic Reports, Progress of ECO decade, Macroeconomic and Foreign Direct Investment Overview of the ECO region, Human Development Index performances of ECO countries, ECO Prospects and Challenges in Transport and Communications sector, 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.

99. 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 5<sup>th</sup> NFPs meeting could not be held due to lack of host authority and financial support. Therefore, arranging financial support from ECO Special Support Fund or receiving a host offer for the said meeting in 2005 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 87<sup>th</sup> 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.

100. The global energy industry is in a constant state of change. Fluctuations in the oil price, pipeline politics, the deregulation of power markets and tighter pollution controls all impact on the contemporary business environment. The rise in world oil prices to over US\$ 50 by the end of 2004 assuming constant exchange rates would result in the ECO region as a whole gaining about 0.5 to 1.0 percent of GDP growth, particularly to be driven by oil-exporting member states. However, this gain will start to diminish in the following three years as global trade in non-oil goods and services recovers. Moreover, in the long term, ECO oil-exporting countries' revenues and GDP are likely to be lower, as higher prices would not compensate fully for lower production. Particularly, ECO net oil-exporting countries benefited and would be expected to experience rise in their real GDP, current account surplus and government revenue by 1 percent to 5 percent of their GDP due to rise in world oil prices. Meanwhile Consumer Price Index (CPI) may reflect an effect of 0.1 percent to 1.3 percent. On the other hand, the adverse impact of rises of world oil prices on net oil-importing member countries would be affected by -0.6 percent to -1.6 percent and CPI would alter by 0.9 percent to 1.8 percent.

101. At this point ECO region's energy supply and its influences on pricing, security, and oil geopolitics need to be underlined. Overall, the region is considered as net oil exporting region particularly at least 10 percent of export earnings of some member states are derived from the (net) exports of oil. Human Development Index (HDI lies between 0.500 and 0.799). In addition, in 6 of ECO countries literacy rate was more than ninety percent. The examination of HDI reveals the medium performance of the most ECO countries in terms of various elements of human development. Some ECO countries performed better than the developing countries in terms of life expectancy at birth and adult literacy rates,

102. The ECO member states evolve at different speeds, creating stresses that need to be addressed and managed. Globalization and faster technological change are also altering the nature of social interaction and affecting the efficacy of existing institutions in the region. Moreover, the consequences of previous patterns of development are also continuing to bind, restricting certain growth paths or making more costly for some member states. Socio-economic indicators are being evolved for regional harmonization and rationalization. However, these processes, if managed well, can identify new opportunities for the region.

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

- (i) According to subpara (i) of para (ix) of declaration of 8<sup>th</sup> Summit meeting of the Economic Cooperation Organization (ECO) held in Dushanbe, Republic of Tajikistan, on September 14, 2004, advice their NFPs to provide the Secretariat with all requested statistical data and information to help Directorate in fulfilling its mandates.
- (ii) The 14<sup>th</sup> RPC in its report (para 117) agreed to urge the recruitment of independent professional consultants on short duration basis out of the sources of ECO as provided in the basic documents to suggest measures in his area to make the Directorate work more effective. In this respect, the member states are requested to extend the requisite technical assistance.
- (iii) 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.
- (iv) The member states are kindly requested to consider and adopt proposed draft ECO Framework of Cooperation in Statistics and Plan of Action on Statistics and review the progress of implementation of the said Framework every year.

104. In accordance with para 121 of 14<sup>th</sup> RPC report the draft country-wise statistic bulletins of Azerbaijan, Kyrgyzstan, and Turkey in English and Russian languages and containing 260 socio-economic indicators divided into 20 major groups has been circulated to concerned member states 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.

105. ECO Countries Key Indicators 2003 presenting the most current available economic, financial, and social data on the ECO member countries during 1996-2002 has been prepared. Presented by 27 tables these indicators are flagship electronic publication at ECO Website ([www.ECOsecretariat.org](http://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.

106. 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 and UNDP-Tehran agreed that any effort or initiative, which may duplicate activities of the said Bureau, should be avoided at the present. 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.

107. It is expected that the MDGs find more space in ECO's development objectives. Therefore, in close collaboration with United Nations agencies and funds, the World Bank, IMF, and OECD, the Directorate would like to initiate a regional project for monitoring progress towards the achievement of the MDGs in ECO countries. The project in keeping in line with the UN Millennium Declaration of 2000 (General Assembly Resolution A/54/2000) will aim to monitor and assess progress towards the MDGs in ECO region and mobilize regional and international resources to assist ECO countries in meeting the targets. 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. Subsequently, ECO will make a major call for action by the member states and international community.

108. The 14<sup>th</sup> RPC in its report (para 124) agreed to consider thematic topics for discussion at the RPC sessions and in this respect accepted the Iranian initiative of discussing ECO cooperation for development in the era of globalization by the 15<sup>th</sup> RPC. The brief discussion on this item may overview some aspects of globalization and identifies ways in which ECO countries can tap the gains of this process, while remaining realistic about its potentials and risks. The Directorate identified most current issues within the framework of globalization to be discussed by member states.

109. Directorate continued to exchange experience, publications and technical information relevant to its endeavors to develop interregional cooperative mechanism with the regional/international organizations through correspondences. During 2004, only international event attended by the Directorate was the UNESCAP's first session of Subcommittee on Statistics held at Bangkok from 18 to 20 February 2004. Besides contributing to discussions on current statistical concerns of most of the countries in the region, including the improvement of poverty measurement and related economic and social statistics, the ECO delegate exchanged information/experiences on selected substantive statistical matters and promote closer coordination on statistical activities between the Statistics Division of ESCAP and the ECO Secretariat. Thus, ECO Secretariat initiative regarding improving current practices in measuring non-observed economy (NOE) in ECO countries was materialized by UNESCAP/OECD/ADB joint workshop on measuring the NOE held on full hospitality basis (airfare and per diem) in Bangkok from 11 to 14 May 2004. However, the Directorate should attend more regional and international meetings/workshops in its fields to familiar itself with their programmes/projects and support country delegates from the region, particularly in promoting awareness of the training needs of the region. The member states are also requested to inform the Secretariat regarding any regional/international seminar/workshop in the fields of economic research and statistics.

## **8. Relations with Regional/International Organizations**

110. The 14<sup>th</sup> Meeting of the Regional Planning Council in December 2003 appreciated the efforts of the Secretariat to promote relations with international/regional organizations and UN bodies and expressed the hope that the momentum would be maintained in the coming years.

111. The Secretariat has been endeavoring to provide ECO greater international visibility as well as help seeking financial and technical expertise from the international donor agencies. ECO gives great importance for its relations with several international and regional organizations. It is closely engaged with the organizations for the programmes and projects in the priority areas and participates in international events to promote its relations with the international organizations.

112. The 59<sup>th</sup> UN General Assembly, on 22 October 2004, adopted bi-annual Resolution on "Cooperation between the United Nations and the Economic Cooperation Organization (ECO)" which will improve ECO's relations with all UN agencies.

113. The Islamic Development Bank (IDB) agreed to grant US\$ 400,000 for the Feasibility Study on Interconnection of ECO countries Power Systems. The ECO & IDB are in the process of selection of the consultant. The Secretariat has requested IDB to extend deadline till end February 2005 enabling the Secretariat to propose implementation plan for the feasibility study.

114. In April 2003, ECO & FAO signed Technical Cooperation Programme (TCP) Project to support ECO for preparation of a Regional Programme for Food Security (RPFS) which is being implemented successfully. Within this project, ECO-FAO Joint Missions to most of the ECO countries were carried out in 2004 to prepare supporting Medium Term Investment Programme for food security at national levels. In addition, two training/capacity building workshops were held in Almaty in October 2003 and Issyk-Kul, Kyrgyz Republic on 1-5 September 2004. It is expected that the Regional Programme for Food Security for the ECO member countries will be finalized very soon.

115. During 2004, ECO has also been successful to sign a Memorandum of Understanding with the UN Environmental Programme (UNEP) and World Meteorological Organization (WMO) in August 2004 and December 2004 respectively. Relations with UNESCAP are growing in various areas especially in transport & communications, trade, energy & minerals.

116. ECO's has relations with Organization of Islamic Conference (OIC) and its affiliated bodies and agencies. The Secretary General attended the 31<sup>st</sup> Session of the Islamic Conference of Foreign Ministers in Istanbul in June 2004. Availing this opportunity, the Secretary General called on the Executive Director of the Group of Developing Eight countries (D8), and the Secretary General of Organization of the Black Sea Economic Cooperation (BSEC) to strengthen economic and commercial cooperation in the areas of mutual interests.

117. The Secretary General participated in the 9<sup>th</sup> Consultative Meeting of Executive Heads of Sub-Regional Organization with UNESCAP which was held on 24 April, 2004 in Shanghai on the sidelines of the 60<sup>th</sup> Session of UNESCAP.

118. The Secretary General also participated in the Ministerial Conference on the occasion of the 3<sup>rd</sup> World water Forum at Kyoto (Japan) in March, 2004. Fresh Water Resource is a very important issue for the ECO as there is large scale scarcity. Secretary General presented the point of view of ECO in an effective manner.

119. The ECO Secretary General visited New York and Washington from 26 September to 4 October 2004. He attended the 59<sup>th</sup> Session of the UN General Assembly; the Informal Meeting of the ECO Council of Ministers (COM), Informal Meeting of the Ministers of Finance of ECO member states, 9<sup>th</sup> Joint ECO-ASEAN Ministerial Meeting; OIC Ministerial Meeting; and Annual Meeting of the Board of Governors of the IMF/World Bank. Taking to this opportunity, the Secretary General had bilateral meetings with (i)

H.E. Mr. Anwarul K. Chowdhary, the UN Undersecretary General, High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, (ii) H.E. Mrs. Louise Frechelle, the UN Deputy Secretary General, (iii) H.E. Mr. Lakhdar Brahimi, Special Adviser to the UN Secretary General, (iv) H.E. Mr. Ekmeleddin Ihsanoglu, newly appointed Secretary General of OIC.

120. On the invitation of Asian Development Bank (ADB) the ECO Secretary General attended the 3<sup>rd</sup> Ministerial Conference of Central Asia Regional Economic Cooperation (CAREC) held on 31 October – 1 November 2004 in Astana, Kazakhstan. The participants of the Conference discussed the common high priority issues related to transport, trade and energy as well as matters of interaction with other international and regional institutions. They also reviewed the progress in regional cooperation in the above mentioned priority fields since the 2<sup>nd</sup> Ministerial Conference held in November 2003 in Tashkent.

121. On the sidelines of the 3<sup>rd</sup> Ministerial Conference in Astana, the ECO Secretary General held bilateral meeting with the ADB President. As a result of that meeting, ADB and the ECO are working on various proposals in transit trade, establishment of Regional Transit System, capacity building of customs organizations of ECO member states and new and renewable sources of energy.

122. On the invitation of the UN Headquarters the ECO Secretary General also participated in the 5<sup>th</sup> Annual Ministerial Meeting of Landlocked Developing countries. The meeting stressed its main attention on the current implementation of Almaty Program of Action for Landlocked countries and afterwards adopted its Draft Ministerial Communiqué.

123. The ECO and ASEAN agreed to sign a Memorandum of Understandings (MoUs) between the two organizations in four areas i.e. trade & investment, narcotics control, small & medium sized enterprises and tourism. The Secretariat has circulated the draft text of the MOU among the member states.

124. The Charter of the ECO Cultural Institute was signed on March 15, 1995 in Islamabad during the 3<sup>rd</sup> ECO Summit. Afghanistan, Azerbaijan, Iran, Kazakhstan, Pakistan, Tajikistan, Turkey and Turkmenistan have signed the Charter. However, only Afghanistan, Iran, Pakistan and Tajikistan have so far ratified the Charter.

125. The Institute is carrying out its responsibilities in various cultural activities and has prepared its 3 Years Plan in the light of the aims and objectives as enshrined in its Charter. The 3<sup>rd</sup> Meeting of the Board of Trustees of the ECO Cultural Institute is scheduled to be held on 12-13 April 2005 in Islamabad-Pakistan.

126. In accordance with the Treaty of Izmir, an ECO Science Foundation is required to be established with headquarters in Islamabad with the objective of building up a reservoir of highly skilled, scientific and technical manpower and strengthening the scientific research institutions in the member states. The Charter of the Foundation was signed during the 3<sup>rd</sup> ECO Summit held in Islamabad on March 15, 1995 signed by all member states. So far, five member countries (Azerbaijan, Iran, Pakistan, Tajikistan and Turkmenistan) have ratified the Charter.

127. The member states are requested to take necessary measures for finalization of the Basic Documents and Modified Charter of the Foundation. In this regard, the Secretariat proposes holding of a Meeting of the Working Group of the CPR for finalization of these documents. The Islamic Republic of Pakistan is requested to announce the dates and venue for holding the First Meeting of the Board of Trustees of the Foundation.

128. The Charter of the Institute was signed on the occasion of the 5<sup>th</sup> ECO Summit held in Almaty in May 1998. So far, four member countries (I.R. of Iran, Kazakhstan, Kyrgyz Republic and Tajikistan have ratified its Charter.



129. The Republic of Turkey is requested to prepare the Draft Basic Documents (Staff/Financial Regulations, Rules of Procedure etc.) of the Institute and announce convening of First Meeting of the Board of Trustees of the Educational Institute.

130. The ECO College of Insurance, formerly RCD College of Insurance was reopened in 1991 in Tehran affiliated with Allamah Tabatabai University. The college offers courses in insurance field to help students clarify economic values, managerial quantitative methods and risk management. The Eminent Persons Group recommended establishment of a Working Group in order to facilitate the transition of the ECO College of Insurance into a real ECO College of Business Administration.

131. The 14<sup>th</sup> Meeting of the Council of Ministers (COM) held on 12 September 2004 in Dushanbe called upon the ECO's Specialized Agencies and Regional Institutions to take necessary actions to promote their performances. During the 8<sup>th</sup> ECO Summit the Dushanbe Declaration also called upon the Member States, who did not ratify the Charter of ECO Educational Institute to do so and invited the non-signatory Member States to accede to the Charter.

132. The Heads of the Supreme Audit Institutions of all the ECO member states were agreed to the Charter of the ECO Supreme Audit Institutions (ECOSAI). The ECOSAI is functional with its headquarters in Islamabad-Pakistan. The objectives of the ECOSAI include exchange of knowledge/skills and experience sharing in the practice and development of auditing, development of auditing standards, joint research activities, and development of information/database on government auditing practices of member SAIs. The 10<sup>th</sup> Meeting of the Governing Board of the ECOSAI is scheduled to be held on 27-29 April 2005 in Baku.

133. According to the Treaty of Izmir, one of the objectives of the Organization is to develop joint programmes for human resource development in ECO region. This year, the Secretariat is proposing to initiate some activities in the field of Education and Science & Technology as ECO Science Foundation and ECO Educational Institute will take some time to become functional. These activities include capacity building of universities of the member states in the field of Science & technology, training course on E-commerce Education for Small & Medium Sized Enterprises and symposium/workshop on Preventive Education for HIV/AIDS.

134. One of the Objectives of the Organization, according to the Treaty of Izmir, is to develop regional cooperation to eradicate drug abuse. The ECO Plan of Action was adopted by the 6<sup>th</sup> Meeting of the Council of Ministers in May 1996. The Plan specifically calls for the establishment of a Drug Control Coordination Unit (DCCU). The Unit was established in July 1999 under the ECO-UNODC Project.

135. The Unit interacted with the member states and other international drug control organizations and shared information on measures taken in combating illicit drug production and trafficking in the region. Its website is operative. It organized two meetings of National Focal Points and three workshops on Drug Demand Reduction and Drug Supply Reduction during the year 2003 and 2004. The computerized network has been established between DCCU and the National Focal Points which is operational and provides fast and secure exchange of information in the member states. The Project has been expired on 31 December 2004 and the DCCU has been absorbed in the ECO Secretariat. The Secretariat is in contact with UNODC for another Project with UNODC and donors' organizations/agencies to support DCCU activities and to achieve the goals and objectives as mentioned in the ECO Plan of Action on Drug Control.

136. At the occasion of 8<sup>th</sup> ECO Summit in September 2004 in Dushanbe ECO Excellence Awards were distributed among nine winners from the ECO member states in the fields of (i) economics (ii) science & technology, (iii) education, (iv) history, culture, literature and fine arts, and (v) agriculture & environment.