

**Report
of
The 6th Meeting of ECO Heads of
Privatization Administrations (HoPA)**

**Preceded by
The 5th High Level Working Group
(HLWG) Meeting on Privatization and
Private Sector Development**

Baku, the Republic of Azerbaijan
25-26 October 2018

Report of the Meeting

The 6th Meeting of ECO Heads of Privatization Administrations, preceded by the 5th High Level Working Group (HLWG) Meeting on Privatization and Private Sector Development was held on 26 October 2018 in Baku, the Republic of Azerbaijan. The Meeting was attended by the delegations from the Islamic Republic of Afghanistan, the Republic of Azerbaijan (Host), the Islamic Republic of Iran, the Republic of Kazakhstan, the Kyrgyz Republic, the Islamic Republic of Pakistan, the Republic of Tajikistan, the Republic of Turkey, Turkmenistan, the Republic of Uzbekistan, the ECO Chamber of Commerce and Industry (ECO-CCI), the Federation of Pakistan Chambers of Commerce and Industry (FPCCI), the International Finance Corporation (IFC), the European Union as well as the delegation of the ECO Secretariat. *List of participants attached as Annex I.*

5th High Level Working Group Meeting (HLWGM)

2. The 5th High Level Working Group Meeting on Privatization and Private Sector Development, held on 25 October 2018, was inaugurated by **Mr. Rafiq JALILOV, Deputy Chairman** of the State Committee on Property Issues of the Republic of Azerbaijan. While welcoming the delegates to Baku, Mr. Jalilov profoundly thanked and appreciated them for their participation in the Meeting. He called for enhancement of synergic and coherent cooperation among the Member States in the field of state property management and privatization.

3. **Mr. Azer BASHIROV, Head of Apparatus** of the State Committee on Property Issues of the Republic of Azerbaijan was unanimously elected Chairman of the 5th High Level Working Group (HLWG) Meeting on Privatization and Private Sector Development.

4. During the Meeting, the delegates from the Republic of Azerbaijan, the Islamic Republic of Iran, the Republic of Kazakhstan, the Kyrgyz Republic, the Islamic Republic of Pakistan, the Republic of Tajikistan, Turkmenistan and the Republic of Uzbekistan delivered their country reports, highlighting the policies and programmes concerning the privatization and management of state property as well as the representative of the IFC delivered a presentation on Public-Private Partnership (PPP). *Copies of reports/presentation attached as Annex II.*

5. The 5th HLWG extensively deliberated overall key issues, questioning answering sessions and shared ideas with one another, including the Baku Declaration and finalized draft report for the 6th Meeting of the ECO Heads of Privatization Administrations.

6. The Meeting urged the Member States and all stockholders related to Private Sector to appoint/update the national Focal Points for prompt and smooth communication among the Member States with the deadline of one month to the ECO Secretariat for circulation with all the Member States.

6th Meeting of ECO Heads of Privatization Administrations

Agenda Item 1:

Inauguration

7. **H.E. Mr. Karam HASANOV**, Chairman of the State Committee on Property Issues of the Republic of Azerbaijan in his inaugural statement, welcomed the delegates to Baku and appreciated their active participation in the ECO Meetings held in Baku. While referring to the strategic reforms, especially in the field of privatization, he highlighted its progress and potential.

8. He pinpointed main sectors of privatization and also touched upon land administration in Azerbaijan to improve and optimize services through innovations. He expresses his trust in the ECO efforts for expanding cooperation for betterment of individual economics in the region. He stated that by continuous successful march of privatization in an efficient manner can help in growth. *Copy of Statement is attached as Annex III.*

9. In his opening statement ECO Secretary General, **H.E. Dr. Hadi Soleimanpour**, while warmly welcoming the delegates of the Member States, highlighted timeliness of the meeting for addressing the issues pertaining to the privatization and hoped it to generate tangible outcomes. He expressed that regionalism in its new form may consider as response to the risk of marginalization in the global economy. He maintained that the ECO has geo-economic significance which can be capitalized through appropriate policies and instruments. He added that while adopting collective approach at the ECO, the privatization process within the context of global economy may put the region on international capital cycle as well as global tech and information cycles. Also, at regional level, it would enhance intra-regional investment, link regional markets, and create production chain. Harmonized privatization process in the region also creates a conducive environment to work closely with adjacent economic power such as China, India and ASEAN in Asia as well as EU. He underlined the conceptual frameworks with relevant facts and figures and referred to the ECO Vision 2025.

10. He alluded some useful instruments in the ECO which might facilitate smooth process of privatization in the region including the Agreement on Promotion and Protection of Investment (APPI), ECO Trade Agreement (ECOTA) and Transit Transport Framework Agreement (TTFA). He appreciated the deliberations of the 5th HLWG Meeting and its suggestions for future. He made profound thanks to the Republic of Azerbaijan for excellent arrangement for the meeting and generous hospitality. *Copy of Statement is attached as Annex IV.*

Agenda Item 2:

Election of the Chairman

11. **H.E. Mr. Karam HASANOV**, Chairman of the State Committee on Property Issues of the Republic of Azerbaijan, was unanimously elected as Chairman of the 6th Meeting of ECO Heads of Privatization Administrations.

Agenda Item 3:

Adoption of the Agenda

12. The Agenda of the Meeting was adopted, which is *attached as Annex V*.

Agenda Item 4:

Appointment of the Drafting Committee

13. **Mr. Elshad KHANALIBAYLI**, from the Republic of Azerbaijan, and the ECO Secretariat were appointed to prepare the draft report of the Meeting.

Agenda Item 5:

Statements/Presentations by the Heads of Delegations

14. During the Meeting, the Heads of delegations from the Islamic Republic of Afghanistan, the Republic of Azerbaijan, the Islamic Republic of Iran, the Republic of Kazakhstan, the Kyrgyz Republic, the Islamic Republic of Pakistan, the Republic of Tajikistan, the Republic of Turkey, Turkmenistan and the Republic of Uzbekistan delivered their country reports/statements/presentations focusing on the country policies, challenges and ongoing/future planned activities in the sphere of Management of State Property and Privatization as well as the representative of the IFC delivered a presentation on PPP. *Copies of country reports/statements/ presentations attached as Annex VI.*

Agenda Item 6:

Progress Report by the ECO Secretariat:

15. The Secretariat presented a progress report on implementation process of the decisions taken since the last Meetings; as well as current and future planned ECO activities in the field of Privatization. While noting the great importance attached by the Member States to Privatization, called for identification of methodologies on policy making for implementation of decisions of this Meeting in order to augment further ECO regional cooperation in the field of privatization. *Copy of Brief attached as Annex VII.*

16. The Meeting appreciated the briefing given by ECO Secretariat and put forward the following key recommendations:

- i. The Secretariat would follow-up decisions on previous meetings of Heads of Privatization Administrations and coordinate with the Member States to boost the activities in the private sector;
- ii. The Member States would update the ECO Website on Privatization and its process;
- iii. The Member States would implement the ECO Plan of Action on Privatization in close cooperation with the ECO Secretariat and relevant regional stakeholders;
- iv. The Member States should enhance collective cooperation and coordination in the field of state property management and privatization;
- v. Efforts would be redoubled by the Member States in cooperation with the ECO Secretariat to enhance Foreign Direct Investment (FDI) in the ECO Region;
- vi. The Member States would consider holding of more capacity building and knowledge sharing workshops and training programmes in their ECO activities;

- vii. The ECO Secretariat would coordinate with the interested Member States to initiate joint multilateral projects in the relevant areas of cooperation; and
- viii. The ECO Secretariat would also coordinate with the Member States in utilizing the facilities of the ECO Trade and Development Bank (ECO-TDB) for enhancement of activities in the domain of privatization and other related economic activities.

Agenda Item 7:

ECO Chamber of Commerce and Industry (ECO-CCI) activities on Private Sector:

17. **Mr. Adem KULA, Secretary General** of the ECO-CCI, delivered two presentations and briefed the Meeting on the activities carried by the ECO-CCI in private sector and successful example of PPP. He highlighted the key role of the private sector and its contribution to intra-regional trade. He informed the meeting about TOBB's project on "Modernization of Border Facility Gates", he mentioned that with the help and interest of the Member States it will be more efficient and helpful for the ECO region. *Copies of Presentations are attached as Annex VIII.*

During the presentation, he highlighted the following main challenges in activities on Private Sector:

- i. Structural differences of Chambers of the Member States,
- ii. Organizational problems,
- iii. Lack of permanent secretariat,
- iv. Conflicts of the founding organizations,
- v. Financial problems,
- vi. Implementation of the agreed decisions, and
- vii. Lack of motivation.

18. The Meeting appreciated the briefing given by the ECO-CCI and recommended that ECO Secretariat may develop a joint strategy to combat these issues.

19. The Meeting decided to establish a coherent and synergic relationship among the ECO-CCI and the Privatization Organizations of the Member States.

20. The Meeting discussed and decided to establish a value chain production in the ECO Region through the privatization process.

21. The Meeting recommended the ECO-CCI to accelerate its efforts in cooperation with the ECO Secretariat and the Member States to implement the decisions of the Meetings on Privatization in line with the priority areas of the ECO Vision 2025.

22. The Representative of the FPCCI also delivered a brief report for betterment of the private sector and offered the ECO-TDB to discuss ways of promotion of project finance, to hold seminars and lectures and to survey to educate the businessmen on taxation procedures. Furthermore, he highlighted the role of women entrepreneurs of the Member States in the organizations/companies. He stressed that a private firms have pressure from shareholders to perform efficiently while a state-owned firm does not have this kind of pressure.

23. The Meeting proposed that the ECO Secretariat should introduce a task force on privatization to assist the Member States in addressing issues that hinder the privatization process and think the common strategies and work plans in privatization and state property management by using the ECO platform.

Agenda Item 8:

Priority areas in the field of Privatization and enhancement of cooperation:

24. The Representative of the Iranian Privatization Organization delivered a short presentation focused on:

- Iran's Legislation Framework of Privatization,
- Current Law on Privatization,
- Executive Process of Privatization,
- Performance of privatization (2001-2018), and
- Evaluation of Privatization.

He emphasized on pragmatic implementation of the Plan of Action on Privatization and related areas in order to enhance the Cooperation. *Copy of presentation is attached as Annex IX.*

25. The Meeting appreciated the briefing given by the Delegation of the Islamic Republic of Iran and made the following salient recommendations regarding:

- i. Exchange of information in privatization and private sector development in the ECO Region;
- ii. Organization of the long-term training courses by the Member States;
- iii. Exchange of information on the portfolio of companies to be privatized, bidding procedures, regulatory issues and other information;
- iv. Organization of Policy review sessions during privatization related meetings;
- v. Issuance of ECO journals and newsletters highlighting the activities being carried out by the Member States in the field of privatization;
- vi. Initiation of joint programs for industrial restructuring and rehabilitation;
- vii. Establishment of a networking system in the ECO Region in order to enhance coordination and cooperation among the Privatization Organizations of the Member States for data and knowledge sharing, as well as to increase intra-regional investment;
- viii. Preparation of a project proposal aimed at enhancing harmonization of the privatization process among the Member States by the ECO Secretariat, in close coordination with relevant stakeholders of the Member States;
- ix. Charting out by the ECO Secretariat the ECO Regional Framework on linking privatization to priority areas of cooperation in the ECO Vision 2025, such as trade, transport and connectivity, energy and tourism; and
- x. Identification of an initiative on the ECO Regional Mechanism in order to approach the international financial capital market for protection of business rights of the Member States from unnecessary competition to control and cope with market vulnerability in the Region.

Agenda Item 9:

Public-Private Partnership in Energy, Telecommunication and other Infrastructural Sectors:

26. The Representative from the IFC, invited by the Republic of Azerbaijan, delivered a brief presentation highlighting the role of PPP in Energy, Telecommunication and other Infrastructural Sectors. *Copy of presentation is attached as Annex-X.*

27. The Meeting lauded the presentation made by the representative of IFC and noted the suggestions proposed by the delegation.

28. The Meeting urged the Secretariat to explore the possibility of preparation of ECO Regional Study on PPP in Energy, Telecommunication and other Infrastructural Sectors. It was also recommended that the Member States may accelerate their efforts in increasing the cooperation on PPP in Energy, Telecommunication and other Infrastructural Sectors.

Agenda Item 10.

Role of Privatization in Foreign Direct Investment (FDI):

29. The Secretariat also delivered a presentation, highlighting the role of FDI in the ECO Region, which would increase the trade and economic activities in the ECO Region. The Secretariat underlined the need for enhancement of cooperation among the authorities of the Member States, including the ECO CCI. *Copy of briefing attached as Annex XI.*

30. The Meeting once again reiterated on introducing the Production Chain Mechanism in the ECO Region for linking privatization and intra-trade enhancement and requested the ECO Secretariat to prepare and circulate a draft mechanism among the Member States for views and comments. The Meeting considered and decided to establish an Investment Forum of the Privatization Organizations of the ECO Member States and International Investors for creating investment opportunities in the ECO Region.

31. The Meeting appreciated the briefing given by the ECO Secretariat and made the following salient recommendations in regard to:

- i. Expanding investment opportunities through transparent and consistent government policies;
- ii. Utilizing the APPI or other similar legal frameworks and accord preferential treatment to regional investors;
- iii. Expanding Intra-regional cooperation among investors through ECO Investment Conferences, Investment Promotion Agencies, etc.;
- iv. Giving more space to PPP to operate;
- v. Intra-regional trade, which also needs be to enhanced through ECOTA because of strong nexus of trade and investment;
- vi. Noting high value added exports yield more revenues and allure investments reinforcing each other;
- vii. More and sustained effort and coordination of stakeholders such as investors forum, the ECO-CCI and other forum should be used; and
- viii. More cooperation and support from the international community and the Member States to promote privatization and investment.

Agenda Item 11:

Adoption of the Baku Declaration on Privatization:

32. The Meeting considered and adopted the Baku Declaration on Privatization with the aim of expanding cooperation in this field and prepared by the 5th HLWGM. *Adopted Declaration attached as Annex.*

Agenda Item 12:

Any Other business

33. Under this agenda the Republic of Azerbaijan offered to all private companies and relevant state authorities of the ECO Member States to attend the “International Real Estate Exhibition and Investment Conference” to be held in Baku on 22-24 February 2019. The Privatization issues will also be widely discussed at the Conference.

Agenda Item 13:

Date and venue of the next Meeting

34. The Kyrgyz Republic announced to consider hosting the 7th Meeting of ECO Heads of Privatization Administrations, and the 6th High Level Working Group Meeting on Privatization and Private Sector Development, in 2019. The Meeting requested the ECO Secretariat to follow-up with the Member States for finalization.

Agenda Item 14:

Adoption of the Report *(prepared by the 5th High Level Working Group Meeting on Privatization and Private Sector Development)*

35. The Meeting adopted the Report.

Agenda Item 15:

Closing and Vote of Thanks

36. The Meeting concluded with a vote of thanks to the **H.E. Mr. Karam HASANOV**, Chairman of the State Committee on Property Issues of Republic of the Azerbaijan, for conducting the Meeting’s proceedings in an efficient and professional manner and his outstanding Chairmanship of the Meeting.

37. The Delegates expressed their deep appreciation and gratitude to the Government of the Republic of Azerbaijan, in particular to the State Committee on Property Issues of the Republic of Azerbaijan, for warm hospitality and excellent arrangements for successful organization of the Meeting.

38. The Meeting also appreciated the efforts of the ECO Secretary General and the Secretariat staff for preparing documents and assisting the host in organizing the 6th Meeting of ECO Heads of Privatization Administrations, preceded by 5th HLWG Meeting on Privatization and Private Sector Development, a success.
