



Economic Cooperation Organization

ECO Annual Economic Report 2013





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July 2015



“ECO Annual Economic Report 2013”

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Foreword

It is my pleasure to table this Annual Economic Report 2013 which is the flagship publication of the ECO and reports on the recent development in socio-economic conditions of the ECO Region and its ten Member States as well as progress on achievement of work programme of the Economic Cooperation Organization for promotion of economic relations among its Member States. The report offers brief assessment of major macroeconomic trends for the reference period of 2013 in ten member economies of the ECO region.



Trend of changes in the key macroeconomic indicators of the region shows downtrend in some major indicators of the region in 2013. Economic performance of the region that is represented by total GDP of its members, has been decreased by -2.4 percent at current prices in 2013. It happened while countries of the region mostly added to the nominal value of their GDP. In the reported year, contribution of economies of the region to total world economy has been 2 percent. In same trend, GDP per capita in whole region shows decrease in the value with the same rate of decline in the total GDP of the region. Downward trend is also observed in the changes of total Foreign Direct Investment of the region that dropped by 18 percent in 2013 and resulted in less absorption of capital flow from international market by economies of the region. In the meantime, total external debt of the region increased by 11 percent in 2013 that indicates increased burden of financial liabilities by countries of the region.

Total foreign trade of the region also decreased by 7.7 percent in 2013. Downward trend in foreign trade shows 1.3 percent decrease for transaction of merchandise while for services, rate of change is recorded as -33.9 percent. The lower level of exchange of goods and services with abroad has also impacted the total economic performance of countries of the region in the reference year.

Growth projections for near future development of the region will depend on world's macroeconomic stability and interaction of the region with world economy as well as stronger inter-regional economic partnerships that will be instrumental in greater performance of the ECO region.

Publication of this issue of ECO Annual Economic Report would not have been possible without support of the Member States in providing their country reports on economic performance as well as submission of the requisite data that is worthy of appreciation of the Secretariat.

Dr. Shamil Aleskerov
Secretary General



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Acknowledgments

ECO Annual Economic Report is the flagship publication of the ECO which was proposed by the First Meeting of ECO National Focal Points on Economic Research and Statistics (14-16 December 1998, Ankara). According to the agreement made by the Member States in the said meeting which was endorsed by the 9th Regional Planning Council (22-23 February 1999, Istanbul), this publication is compiled by contribution of the Member States on submission of country report on economic performance of each Member State, supported by set of national data on socio-economic indicators which are provided by ECO National Statistical Offices based on the adopted format.

The current issue of the ECO Annual Economic Report has been contributed by some Member States that submitted their country report on economic performance of their respective countries for drafting the country-wise review of the report. In the absence of country reports for some Member States, other national and international sources have been utilized for compilation of this part of the report to cover review of major trend of socio-economic development in ten countries of the region including: Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkey, Turkmenistan, and Uzbekistan.

Review and analysis of socio-economic development of the region has been contributed mainly by data from reliable international sources. It is worthy to mention that main documents of ECO, including reports of decision making bodies of the Organization namely ECO Regional Planning Council, CPR and COM have been utilized for providing the picture of the developments on regional cooperation and implementation of regional programmes, projects and activities among member countries of the region in the reference year.

This report is available on the ECO webpage (www.eco.int). Inquiries about the content of the publication may be forwarded to the Directorate for Projects, Economic Research and Statistics at the following electronic address: Director.PERS@eco.int.

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I. Macro-economic Performance of ECO region in 2013

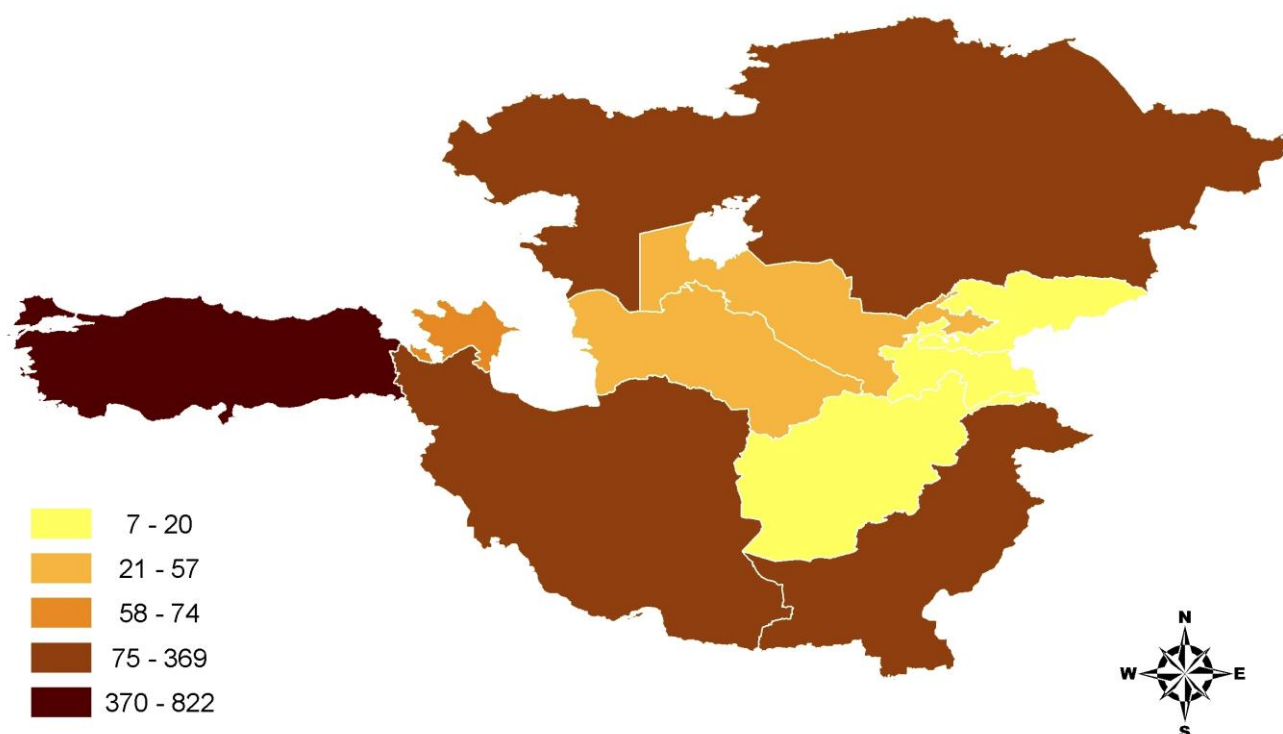
Total population of ECO Region in 2013 reached to 441 million that shares 6.21 percent of total world population. Changes in the size of population of the region in 2013 shows 1.58 percent increase, compared with the previous year which is higher than that of the world (1.16 %) in the reference year. Population growth rate of the ECO Region in 2013 is similar to the growth rate in 2012.

Real Economy

GDP at Current Prices

Economic performance of the ECO Region is mainly characterized by summation of Gross Domestic Product (GDP) of its ten member countries at current prices that passed 1,863 billion US\$ in 2013. This figure shows contribution of the ECO Region to total world GDP in 2013 equal to 2.49 percent.

ECO Map 1- GDP of ECO Countries at Current Prices in 2013 (Mln US\$)



Source: World Bank

Total GDP of the ECO Region in 2013 decreased by -2.4 percent in current prices, compared with the previous year, showing negative change in the value of GDP of the region. Due to downfall trend of GDP of the region in 2013, share of the region from total world GDP also is lower than that of 2012.

The main reason for downfall trend of total GDP of the region in 2013 is sharp decline in the value of GDP of Iran that dropped by 27 percent in current prices in 2013. Afghanistan also experienced decrease in the value of its GDP in 2013 that resulted in one percent decline in the subject indicator. Other countries of the region added to their GDP at current prices in 2013 that brought higher percentage of increase in Turkmenistan, Kazakhstan, Pakistan and Uzbekistan with rate of changes above 10 percent.

The biggest size of economy in the region belongs to Turkey that recorded its share from total GDP of the region in current prices in 2013 equal to 44 percent. With this figure, less than 50 percent of total economic performance of the region in 2013 is owned by Turkey. The second largest economy of the region is Iran with 20 percent share from total GDP of the region. Due to sharp decrease in GDP of Iran in 2013, regional share of Iran also dropped by 6.5 percent, compared with previous year that indicates the wide range of changes in the economy of Iran in the reference year.

Pakistan and Kazakhstan with similar size of GDP are categorized as fourth and fifth economies of the region with 12.5 percent regional share for each. Almost 90 percent of total economic performance of the region in 2013 is owned by first four economies of the region. Other six countries of the region are producer of 11 percent of total GDP of the region. Regional share of countries of this group ranges from 4 percent in Azerbaijan and 3 percent in Uzbekistan to the lowest share for Tajikistan and Kyrgyz Republic that is recorded as 0.4 percent from total GDP of the region in the reference year.

GDP per Capita

The average GDP per capita of the ECO region at current prices in 2013 is 4,435 US\$. Compared with the world figure for this indicator in 2013 which is 16,973 US\$, a very big gap is observed between the figures for the ECO region and that of the world that reveals the difference in the economic condition of both societies.

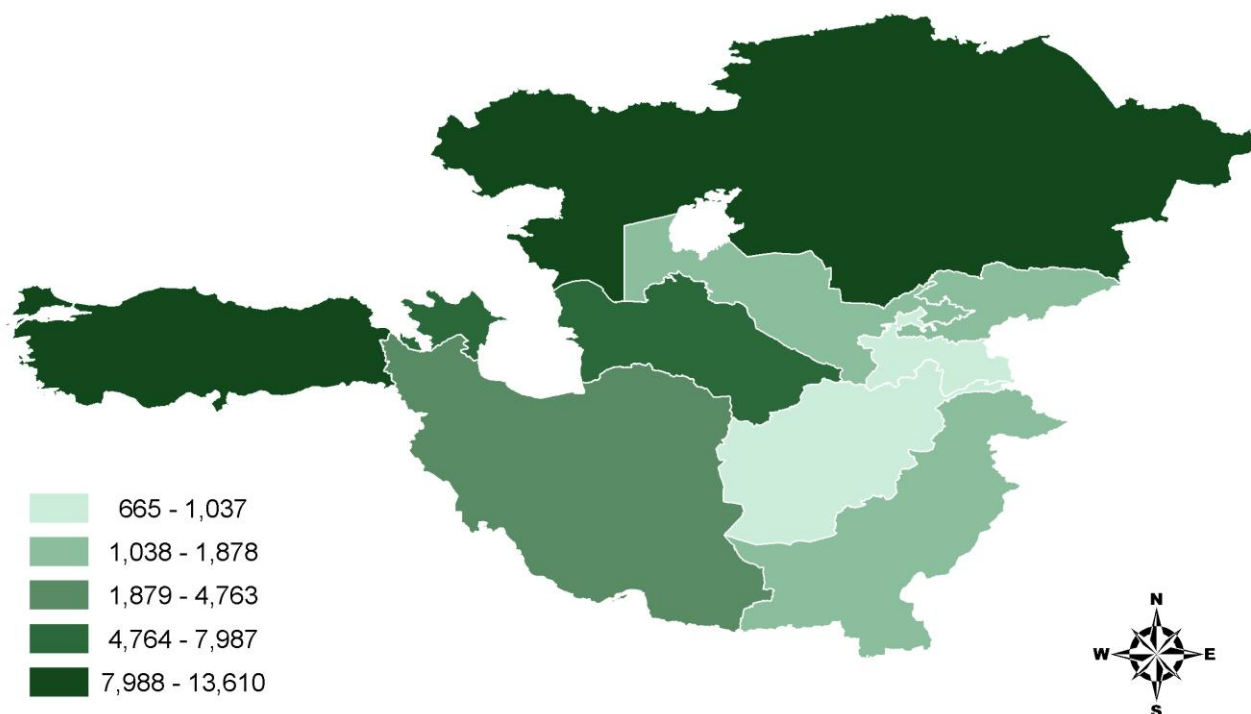
GDP per Capita of the region in 2013 has been declined with negative change of 2.4 percent in this indicator which is mainly caused by sharp decrease in the figure for Iran that recorded 27.6 negative change in this indicator.

The highest GDP per capita in the region in 2013 belongs to Kazakhstan with 13,610 US\$, still lower than the world figure. Turkey is the second country of the region with 10,972 US\$ as its GDP per capita in the reported year. Except these two countries, other countries of the region have recorded their GDP per capita below 10,000 US\$.

For Turkmenistan and Azerbaijan this indicator is between 7000-8000 US\$ and for Iran it is 4,763 US\$. For Pakistan, Kyrgyz Republic and Tajikistan this indicator is between 1000-1300 US\$. The lowest GDP per capita in 2013 is recorded for Afghanistan with 665 US\$.

In 2013, except Iran and Afghanistan that show decrease in their GDP at current prices since 2012, other countries added to this indicator that varies from 1.8 percent in Pakistan to 17.5 percent in Turkmenistan.

ECO Map 2- GDP per Capita of ECO Countries at Current Prices in 2013 (US\$)



Source: World Bank

GDP Growth Rate

The real economic performance of countries is measured by growth rate of GDP at constant prices that principally differs from country to country. GDP growth rates of ECO countries at constant prices in 2013 present different trend of changes in the economic performance of countries of the region.

In 2013, Iran in a different situation with other countries of the region faced a dramatic negative growth rate of GDP that is measured as - 5.8 percent. By this GDP growth rate, Iran spent a very difficult economic year that did not add to the production of goods and services at national level. Annual GDP growth rate of Iran in 2012 has been recorded as 3 percent that indicates quite different economic performance of the country in two consecutive years.

GDP growth rates of other countries of the region indicates positive changes in their economic performance in 2013. The highest economic growth rate is recorded for Kyrgyz Republic with 10.5 percent which is very high figure. GDP growth rate for Kyrgyz Republic in the previous year (2012) in contradiction with other countries of the region is negative (- 0.1 %). So, this country also shows a very different trend of annual changes in its economic performance in two years.

Turkmenistan is another country of the region with high GDP growth rate that experienced the growth rate above 10 percent in 2013 (10.2 %). Turkmenistan in 2012 also recorded a very high economic growth rate equal to 11.1 percent that shows continuation of economic performance with high rate for this country in the last two years.

The third high rate of economic performance in 2013 belongs to Uzbekistan that recorded 8 percent as its GDP growth rate. In 2012, Uzbekistan also experienced a high growth rate of GDP with 8.2 percent, indicating the continuous trend of changes in its economic performance in the last two years.

Tajikistan with its GDP growth rate equal to 7.4 percent is another country of the region with high rate of economic performance in 2013. Tajikistan experienced almost the same rate of economic growth in 2012 that indicates continuation of increasing trend in economic development of the country in two consecutive years.

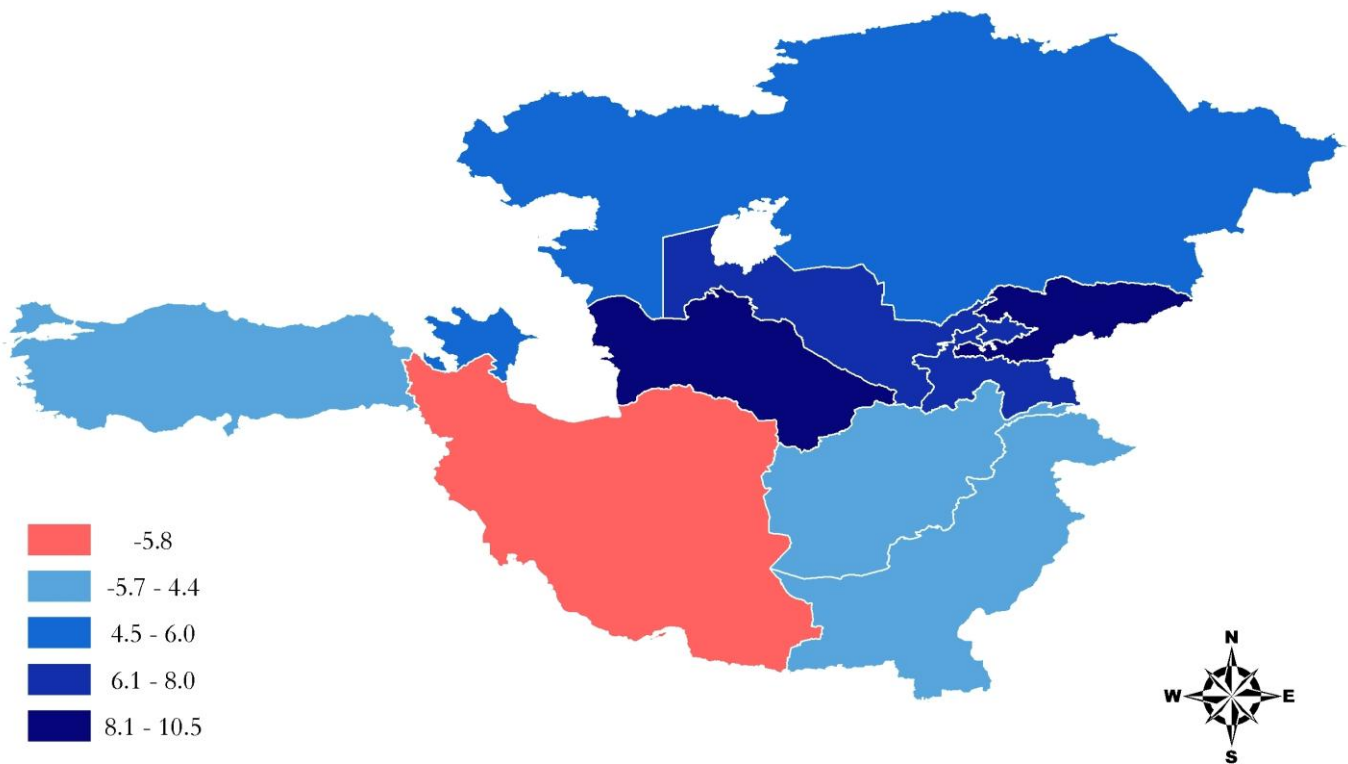
Kazakhstan with 6 percent as its GDP growth rate in 2013 added to its economic growth in this year. In 2012, the growth rate of the economy for Kazakhstan was reported as 5 percent.

The GDP growth rate for Azerbaijan in 2013 has been recorded 5.8 percent. This country speeded up its economic growth rate, compared to 2012 that recorded 2.2 percent for GDP growth rate.

Pakistan and Turkey recorded almost very close figures for their GDP growth rate in 2013: 4.4 and 4.1 respectively. Compared with the previous year, both countries have shown increase in their economic growth rate, with higher increase for Turkey.

Afghanistan has the lowest GDP growth rate among countries of the region in 2013. The subject indicator for Afghanistan in the reference year was 1.9 percent. A dramatic decline in the economic growth rate in 2013 is observed for Afghanistan while it recorded 14.4 percent as its GDP growth rate in 2012 and placed as the first country of the region with the highest economic growth rate.

ECO Map 3- GDP Growth Rate of ECO Countries in 2013 (%)



Source: World Bank

GDP by Major Economic Sectors

Structure of GDP at current prices by major economic sectors introduces different economic structure of countries of the region in 2013. It should be noted that normally the structure of the economies do not show significant changes during the short term period.

In 2013, in all countries of the region- excluding Azerbaijan and Turkmenistan- services sector has the highest share in the composition of GDP at current prices. For countries of this group, share of services sector in total GDP at current prices varies from 51 percent in Tajikistan to 64 percent in Turkey. Nevertheless, countries of this group with higher share of services in their total GDP, have some differences in their economic structure that relates to the contribution of other economic sectors to their GDP.

Tajikistan, Pakistan and Afghanistan in this group, have the highest share of Agriculture in the composition of their GDP in 2013 which is above 20 percent. Tajikistan has the highest share of Agriculture in total GDP with 27 percent that emphasizes on the share of value added of this sector in total GDP in the reported year. Pakistan and Afghanistan with 25 and 24 percent respectively are two other countries of the region that have recorded higher share of value added of this sector in the composition of their GDP.

Turkey with the highest share of sectoral contribution to total GDP for services with 64 percent, highlights the role of services for generating value added and contributing to the economic performance of the country in 2013. Dominant share of services sector in the composition of GDP, leaves lower share for other two economic sectors of this country with very low share for agriculture sector.

Azerbaijan and Turkmenistan with different composition of GDP with other countries of the region in 2013 have the lowest share of services sector in the structure of their GDP. In these two countries, industry sector is the main economic sector for generating value added and contributing to total GDP of the country. Azerbaijan has the highest share of industry sector in total GDP in 2013 among countries of the region with 62 percent. Turkmenistan also recorded 48 percent for contribution of industry sector to its economic performance in the reported year as the second country with the highest share of industry sector. Both countries show low share of agriculture in the composition of their GDP, especially in Azerbaijan that have the second lowest share of agriculture among countries of the region.

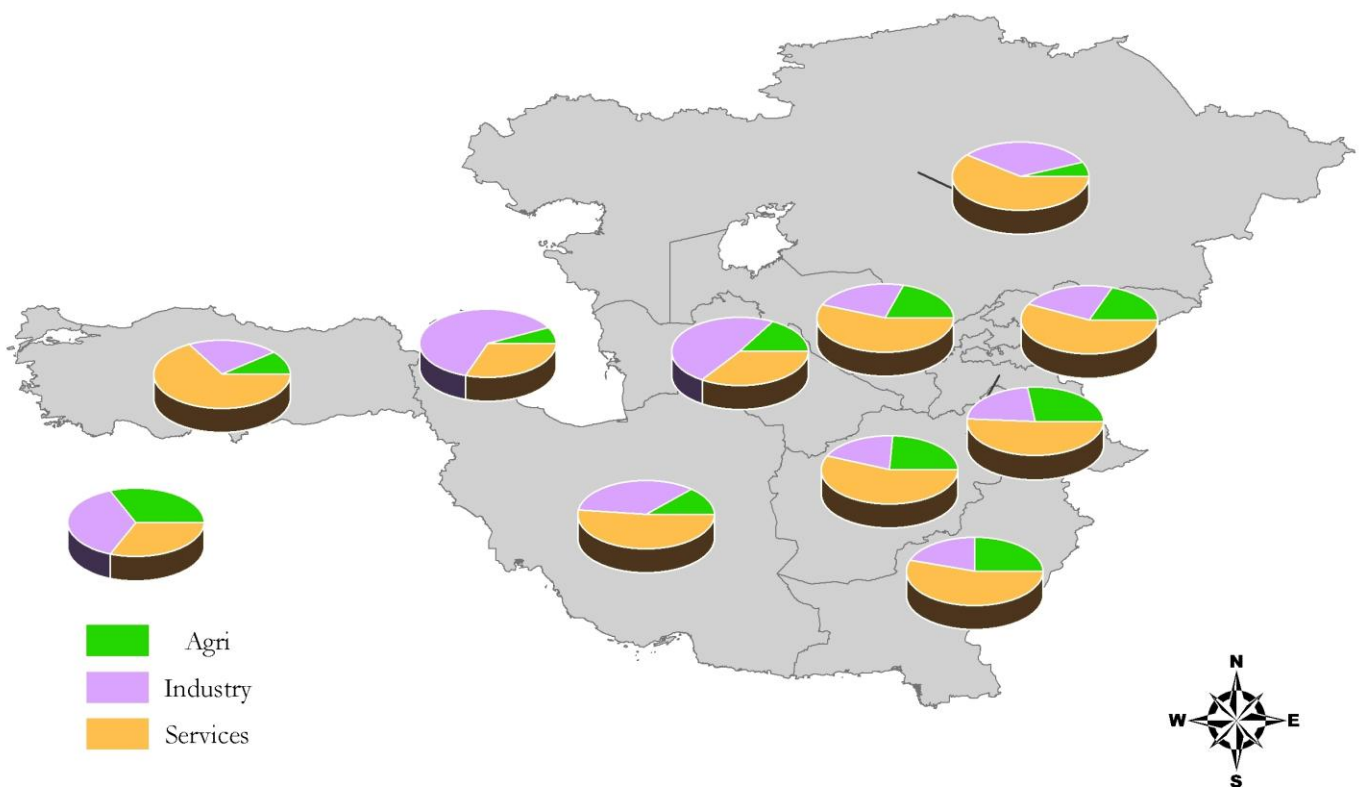
Kazakhstan has the lowest share of agriculture in the composition of GDP in 2013 that has been recorded 5 percent. Kazakhstan, Azerbaijan and Turkey are

countries of the region with the lowest share of agriculture in total GDP that is recorded below 10 percent.

Structure of economy by major economic sector in Iran is relatively similar to that of Kazakhstan, where both countries are categorized as countries with higher share of services sector, significant share of industry sector and lower contribution of agriculture sector to total GDP.

In general, countries including Afghanistan, Kyrgyz Republic, Pakistan, Tajikistan and Uzbekistan have more similarity in the composition of their GDP by major economic sectors. Azerbaijan and Turkmenistan could be categorized with their similarities in their economic structure. Iran and Kazakhstan also have almost similar pattern of economic structure and Turkey has different structure of economy in the reported year.

ECO Map 4- GDP of ECO Countries by Major Economic Setors in 2013 (%)



Source: World Bank

Inflation

Trend of changes in the level of prices in ECO countries in 2013 indicates different rate of inflation among countries. Iran with a different situation with other countries of the region and a wide gap with them recorded the highest inflation rate in the region in 2013. While countries of the region indicate their inflation rates below 8 percent in 2013, Iran is the only country of the region that recorded 39.3 percent as its inflation rate in the reported year. In this year, Iran is the 2nd country in the world with the highest inflation rate.

Review of inflation rate of Iran in 2012 also puts this country in the top in the region with its high inflation rate equal to 27 percent. Trend of increase in the level of prices in Iran has been intensified in 2013 and resulted in a higher level of inflation in the last year.

Inflation rate in other countries of the region in 2013 fluctuates in a narrower range. Pakistan, Afghanistan and Turkey recorded their inflation rates between 7-8 percent. Compared with the previous year, Pakistan and Turkey have decreased their inflation rate in 2013 but in Afghanistan slight increase in the level of prices has been reported.

Uzbekistan and Kyrgyz Republic have recorded their inflation rate between 6-7 percent in 2013. In Uzbekistan, almost the same level of prices as of the previous year is observed but in Kyrgyz Republic significant increase in the level of prices is observed in 2013 that added to its inflation rate and changed it from 2.2 in 2012 to 6.6 percent in 2013.

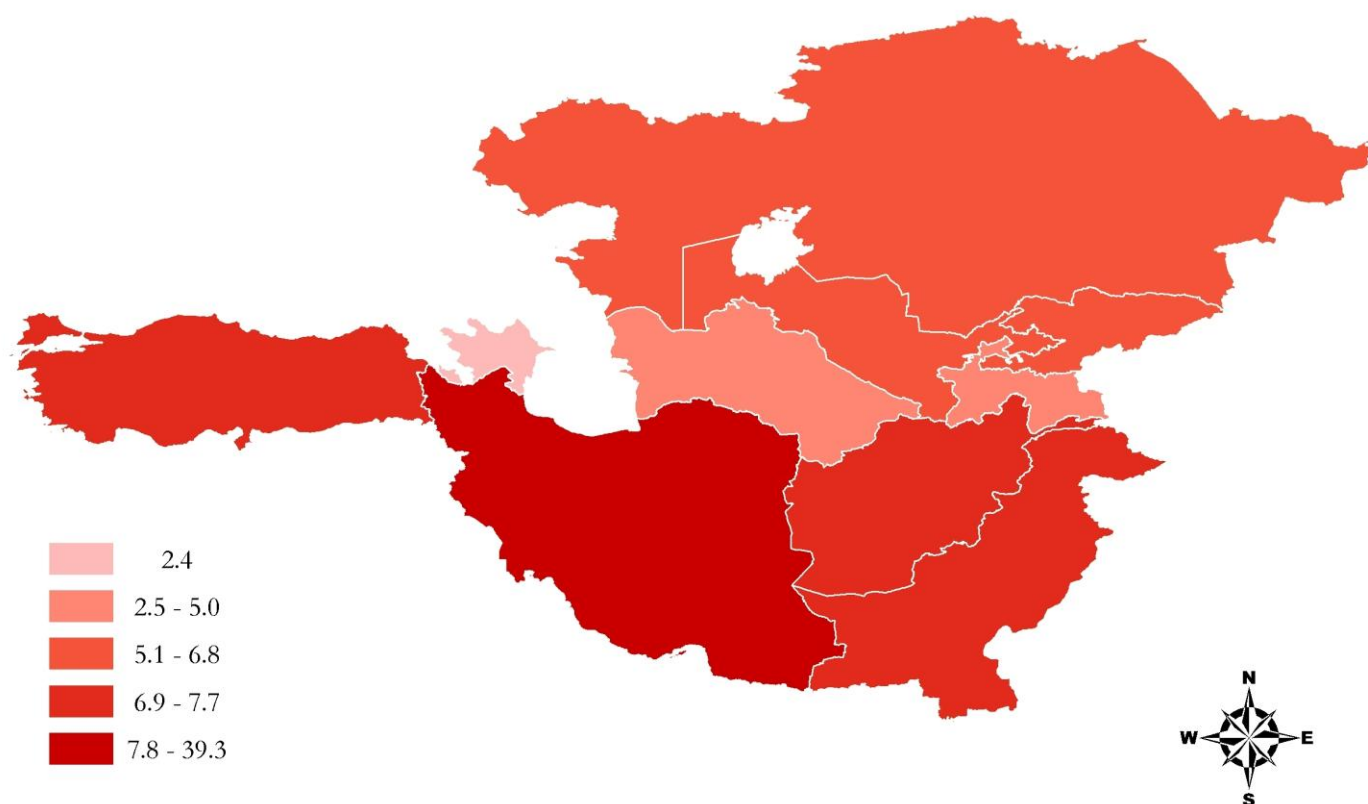
In the lower level, Kazakhstan and Tajikistan recorded their inflation rate between 5-6 percent in 2013. Compared with the previous year, slight increase in the inflation rate of Kazakhstan is observed while in Tajikistan different trend is observed that led to slight decrease in the inflation rate of the country in the last reported year.

Azerbaijan has recorded the lowest inflation rate in 2013 in the region. Its inflation rate is 2.4 percent that is quite different with other countries of the region. Looking at the figures of 2012 also shows the lowest inflation rate for Azerbaijan in the previous year in the region which has been one percent. Although the inflation rate of this country slightly went up in 2013 but still the lowest rate of inflation belongs to this country in the region.

Comparison of inflation rates of countries of the region in 2013 shows a very wide range from the lowest rate in Azerbaijan (2.4%) to the highest rate in Iran (39.3 %) that highlights the heterogeneity in the trend of changes in the level of prices in the countries of the region. Review of inflation rate in 2012 also presents similar pattern by which a very big gap is observed among countries of the region that varies from one percent in Azerbaijan to 27.4 percent in Iran, with almost similar pattern.

Classification of countries of the region by inflation rate in 2012 and 2013 shows some similarities among countries of the region that highlights the wide range of inflation rates plus continuation of the trend of changes in the level of prices in some countries of the region in the last reported year.

ECO Map 5 - Inflation Rate of ECO Countries in 2013 (%)



Source: World Bank

Labour Market and Unemployment

Total labour force of ECO countries in 2013 exceeds 163 million that shows 2.4 percent increase in the size of labour force of the region since 2012. ECO region has 4.9 percent of total world labour force in 2013.

Ratio of total labour force to population in whole region is 37 percent in 2013. This ratio shows a very wide range of figures for countries of the region in the reported year that varies from 25.6 percent in Afghanistan to 53.8 percent in Kazakhstan. This ratio for Iran, Pakistan and Turkey is between 34-37 percent and for Tajikistan, Turkmenistan, Uzbekistan and Kyrgyz Republic is between 43-48 percent. This ratio for Azerbaijan is 51.4 percent.

Size of total labour force relatively relates to the size of population of the countries. The highest share of total labour force of the region belongs to Pakistan with 40.1 percent that is the most populated country of the region. Turkey (16.8%) and Iran (16.3%) are two other countries of the region with higher share of total labour force of the region. The lowest share of total labour force of the region belongs to Turkmenistan with 1.4 percent.

Female share from total labour force of the region is 27.5 percent in 2013. This ratio changes dramatically from the highest share in Kazakhstan with 49.5 percent to the lowest share in Afghanistan with 16.4 percent. For Azerbaijan, Tajikistan and Kyrgyz Republic this ratio is between 42-49 percent and for Uzbekistan and Turkmenistan is between 39-40 percent. This ratio for Turkey is 30.7 percent and for Pakistan is 22.1 percent. Iran is the second country in the region with the lowest female share of total labour force with 18.4 percent in 2013.

Data for total unemployment rate in ECO countries in 2013 shows a wide range of rates that varies from 13.2 percent in Iran as the highest unemployment rate (total) to 5.1 percent in Pakistan with the lowest unemployment rate. In five countries of the region including Iran, Tajikistan, Uzbekistan, Turkmenistan and Turkey the total unemployment rate is higher than 10 percent. Afghanistan and Kyrgyz Republic have recorded their total unemployment rate as 8 percent. In Azerbaijan and Kazakhstan the subject indicator is between 5.2-5.5 percent.

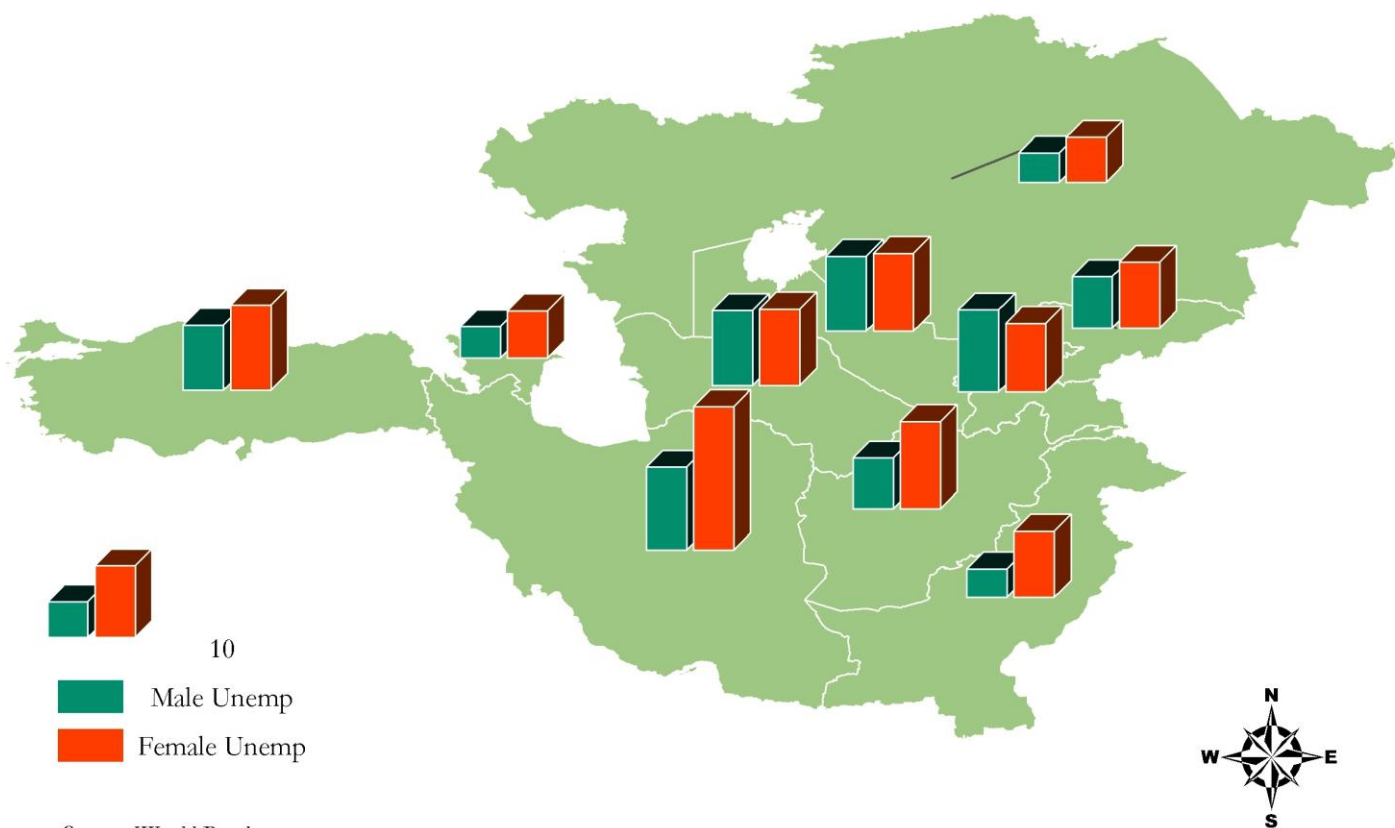
Comparison of total unemployment rate in 2012 and 2013 does not show significant changes in this indicator among countries of the region and all countries have the same level of unemployment in their respective countries in 2013.

Review of unemployment rate of ECO countries by gender in 2013 indicated less broad range of figures for male unemployment rate. In this group, the highest

male unemployment rate is recorded for Iran with 11.6 percent and Tajikistan with 11.5 percent while the lowest rate belongs to Pakistan (4%), Kazakhstan (4.1%) and Azerbaijan (4.4%). Turkmenistan and Uzbekistan have their male unemployment above 10 percent. For Turkey, Kyrgyz Republic and Afghanistan this indicator is between 7.1-9.1 percent. No significant changes are observed in comparison of male unemployment rate of countries of the region in 2012 and 2013.

In the group of females, a wider range of unemployment rate in 2013 is observed among countries of the region that varies from 20.1 percent in Iran to 6.3 percent in Kazakhstan. Afghanistan, Turkey, Uzbekistan and Turkmenistan recorded their female unemployment rate above 10 percent. For Tajikistan, Pakistan and Kyrgyz Republic this rate is between 9-10 percent. Azerbaijan also recorded one of the lowest figures for this indicator as 6.6 percent. In comparison of female unemployment rate in 2012 and 2013 also no major changes are observed among the recorded data.

ECO Map 6 - Male and Female Unemployment Rate of ECO Countries in 2013 (%)



Source: World Bank

External Balance

Trade Balance: Exports and Imports Developments

Total foreign trade of goods and services of ECO countries in 2013 amounted to 995 billion US\$ that shows 7.7 percent decrease, compared to the previous year. Share of foreign trade of merchandise in total foreign trade of the region in 2013 is 86 percent and the smaller share (14%) belongs to foreign trade of services. Total foreign trade of merchandise shows 1.3 percent decrease, compared with the previous year while for services a sharp decrease in 2013 equal to 34 percent is recorded.

Total foreign trade of goods and services of the region in 2013 consists of 480 billion US\$ exports and 514 billion US\$ imports that shows excess of imports to exports; resulting in negative balance in total foreign trade in whole region equal to -34 billion US\$. Share of exports and imports in total foreign trade of the region in 2013 is 48.2 and 51.8 percent respectively.

In five countries of the region including Azerbaijan, Iran, Kazakhstan, Turkmenistan and Uzbekistan value of exports of goods and services is higher than value of imports that brings positive balance in their total foreign trade of goods and services in 2013 while in other five countries of the region imports of goods and services overcomes exports and consequently balance of total foreign trade of those countries shows negative figures.

Total foreign trade of merchandise of ECO countries in 2013 is amounted to 855 billion US\$ that shares 2.3 percent from total world trade of merchandise. It consists of 407 billion US\$ as exports of goods plus 447 billion US\$ as imports of goods that results in negative balance of foreign trade of merchandise of the region equal to 40 billion US\$ in the reported year. Four countries of the region including Kazakhstan, Iran, Azerbaijan and Turkmenistan have shown positive figures for balance of foreign trade of merchandise in 2013 while other countries of the region indicate negative value with wide range of figures from the lowest negative balance in Uzbekistan (-0.4 Bln US\$) to the biggest one in Turkey (-100 Bln US\$).

Turkey is the first exporter of merchandise in the region in 2013 with 152 billion US\$ that shares 37 percent of total exports of merchandise of the region in this year. Kazakhstan (82.5 bln US\$) and Iran (82 bln US\$) are other two major exporters of merchandise in the region with similar share of 20 percent for each from total exports of merchandise of the region in this year. Afghanistan, Tajikistan and Kyrgyz Republic have recorded the lowest value of exports of merchandise in 2013.

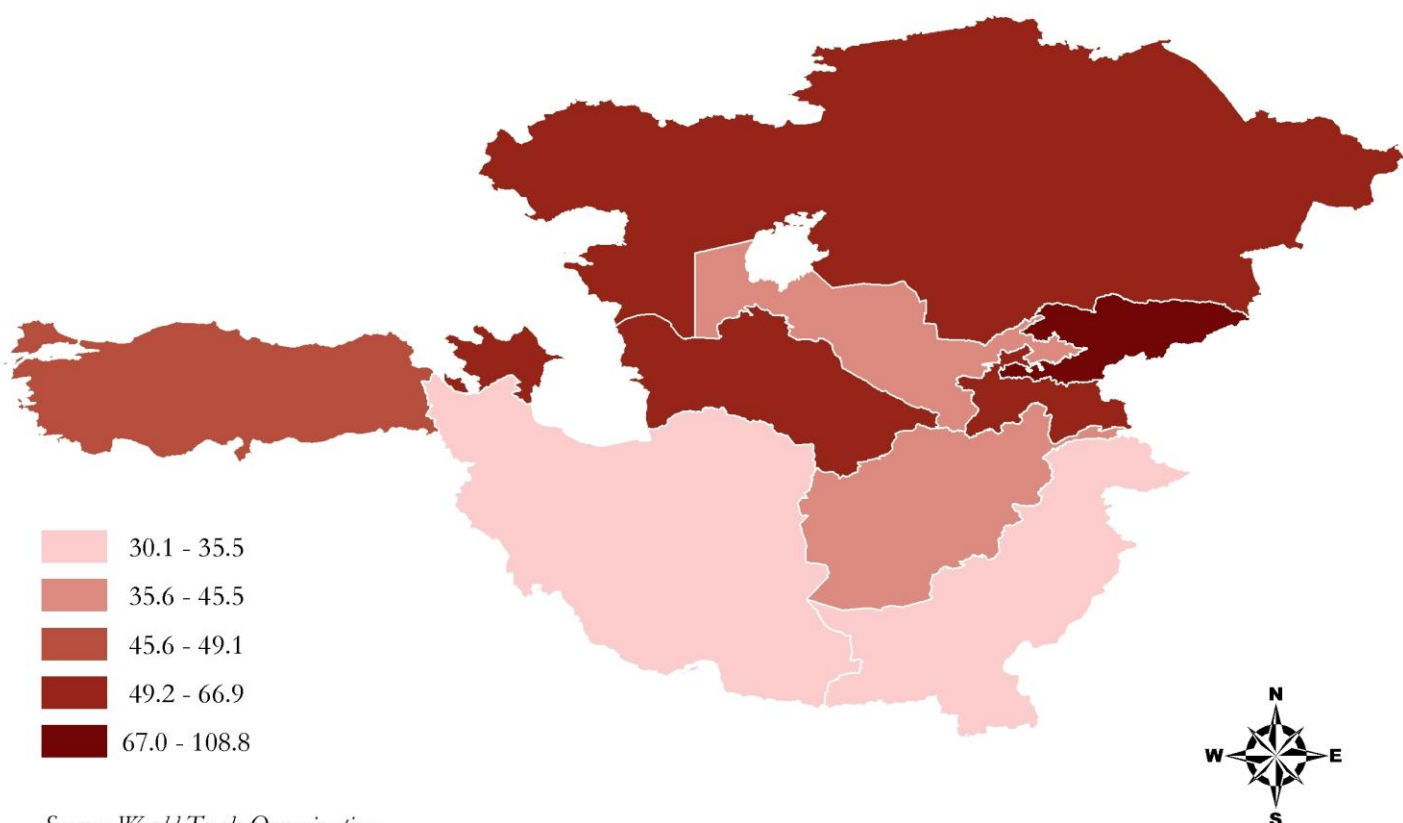
In the group of imports of merchandise, Turkey places in the first level with 252

billion US\$ in 2013, sharing more than half of the total imports of merchandise of the region (56%). Iran and Kazakhstan (with 49 bln US\$ for each) and Pakistan (45 bln US\$) are other major importer of merchandise in the region with regional share between 10-11 percent. Tajikistan and Kyrgyz Republic have recorded the lowest value of imports of merchandise in the region in the reference year.

In general, regional share of total value of foreign trade of merchandise of the ECO region in 2013 introduces a wide range of regional share among countries of the region that highlights the very different size of foreign trade of the countries.

Turkey with 47 percent share from total foreign trade of merchandise of the region and with big gap with other countries of the region, owns almost half of the total foreign trade capacity of the region in 2013. Iran and Kazakhstan with similar regional share (15% for each) and Pakistan (8%) are considered as other countries of the region with higher foreign trade capacities. The lowest regional share has been calculated for Tajikistan, Kyrgyz Republic and Afghanistan that collectively have less than 3 percent share from total foreign trade of merchandise of the region in 2013.

ECO Map 7 - Total Foreign Trade of Merchandise to GDP of ECO Countries in 2013 (%)



Source: World Trade Organization

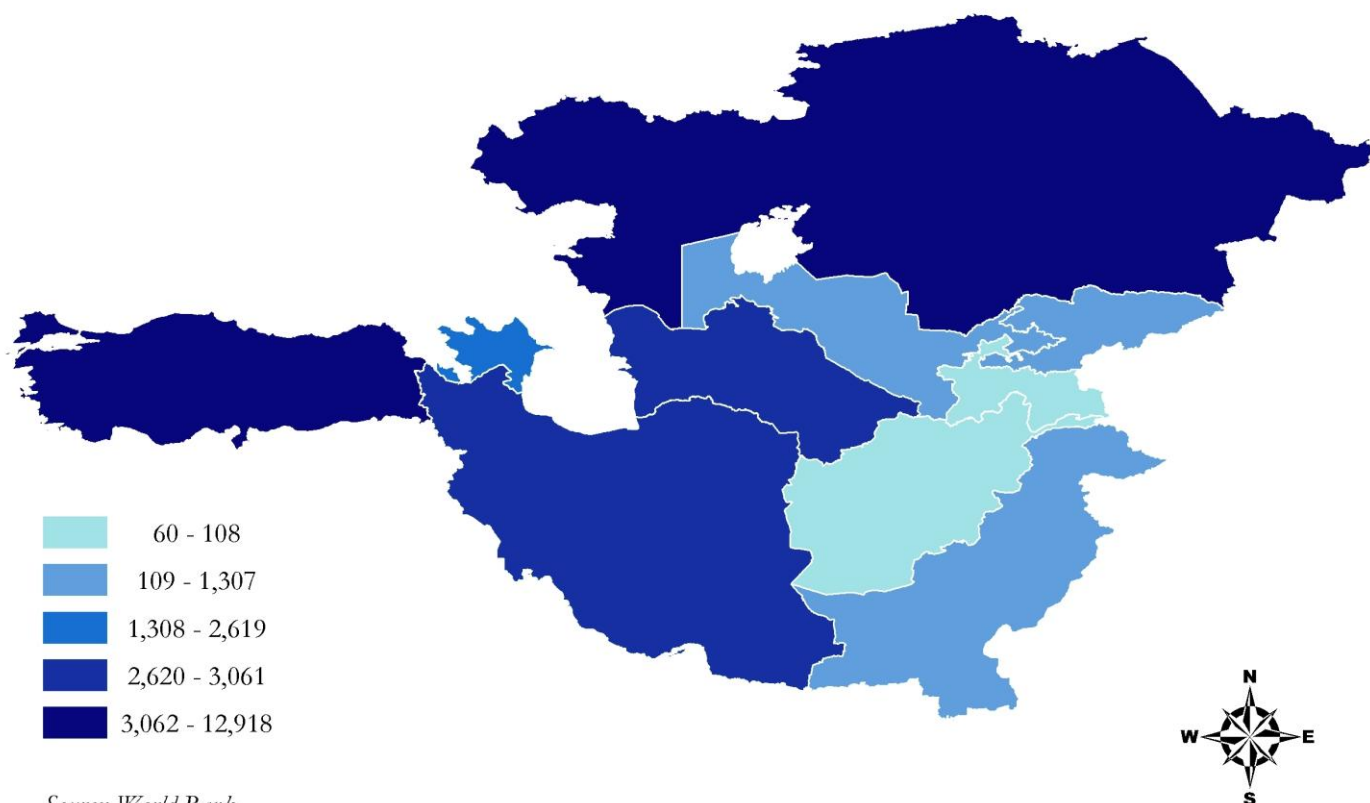
Foreign Direct Investment (FDI)

Total Foreign Direct Investment (FDI) of ECO countries in 2013 is amounted to 34,697 Million US\$ which is equal to 2 percent of total FDI in all countries of the world. Total FDI of the ECO region shows 18 percent decrease, compared to the previous year.

Distribution of total FDI by countries of the region places Turkey in the first level with the largest share of total FDI of the region with 37 percent. Turkey is the 22nd country in the world with the highest FDI in 2013. Kazakhstan is the second country with the largest share of total FDI of the region with 28 percent. The lowest FDI in 2013 is recorded for Afghanistan with 60 Million US\$.

Ratio of Foreign Direct Investment to total GDP in whole region in 2013 is amounted to 1.9 percent. This indicator for countries of the region indicates a wide range from the highest ratio in Kyrgyz Republic (10.5%) to the lowest ratio in Afghanistan (0.3%).

ECO Map 8 - Foreign Direct Investment (FDI) of ECO Countries in 2013 (Mln US\$)



External Debt

Total External Debt (ED) of ECO countries in 2013 is amounted to 634 billion US\$, equal to 11.5 percent of total External Debt of countries of the world in this year. Compared with the previous year, this indicator shows 10.8 percent increase in the value of total External Debt.

Turkey is the most indebted country of the region with 388 billion US\$ and 61.2 percent share from total external debt of countries of the region. Turkey is the 5th most indebted country in the world in 2013. Kazakhstan with 148 billion US\$ and 23.1 percent share from total external debt of the region is the second indebted country of the region. Kazakhstan is the 9th most indebted country in the world in the reported year. Pakistan, Uzbekistan and Azerbaijan are categorized in the next places. The lowest external debt belongs to Turkmenistan with 0.5 billion US\$.

ECO Map 9 - External Debt of ECO Countries in 2013 (Mln US\$)



Ratio of total external debt to total GDP of the region is estimated as 34 percent. This indicator presents a very wide range among countries of the region from the highest ratio in Kyrgyz Republic (98%) to the lowest ratio in Turkmenistan (1.3%) and Iran (2.1%). Kazakhstan (75%), Turkey (48%) and Tajikistan (42%) are among countries of the region with high ratio of ED/GDP in 2013.

International Reserves

For countries of the region -excluding three countries: Iran, Turkmenistan and Uzbekistan- data on international reserves has been available. Total reserves comprise holdings of monetary gold, special drawing rights, reserves of IMF members held by the IMF, and holdings of foreign exchange under the control of monetary authorities.

Based on the World Bank data, total international reserves of the seven countries of the region in 2013 is amounted to 189 billion US\$ that shows 3.5 percent increase, compared with the previous year.

Turkey has the highest level of international reserves in 2013 with 131 billion US\$ that shares 69.4 percent of total international reserves of the reported countries. Kazakhstan with 24.7 billion US\$ is the second country in this group with 13.1 percent share from total reserves of those countries. Total international reserves in 2013 for Azerbaijan is 15.2 billion US\$. This indicator for Pakistan is 7.7 billion US\$, for Afghanistan is 7.3 billion US\$ and for Kyrgyz Republic is 2.2 billion US\$. The lowest international reserves has been recorded for Tajikistan with 0.7 billion US\$.

Comparison of data on international reserves of the countries in 2012 and 2013 indicates that excluding Pakistan and Kazakhstan, other countries have added to their international reserves in 2013. The highest increase has been recorded for Azerbaijan with 34.6 percent. Growth rate of total international reserves in 2013 for Turkey is 10 percent, for Kyrgyz Republic is 8.3 percent and for Tajikistan is 4.9 percent. The lowest increase among countries of this group is recorded for Afghanistan with 1.9 percent. Pakistan shows a large decrease in its international reserves with - 44 percent as its growth rate. Total international reserves of Kazakhstan also has been decreased in 2013 with -12.7 percent.

II. Developments in the Main Field of ECO Cooperation in 2013

Major milestones of economic development in the region has been defined in the work program of the Organization that has been endorsed by the 24th Regional Planning Council (RPC) Meeting and approved by the 21st Meeting of Council of Ministers (COM). Implementation of work programme of the Organization in major economic sectors in 2013 has been reported below briefly.

Trade and Investment

In accordance with the decisions of the 4th ECO Ministerial Meeting on Commerce and Foreign Trade to prepare and finalize a Multi Dimensional Regional Trade and Investment Strategy and Action Plan on the prospects of establishing Free Trade Area in the region, the Secretariat prepared a paper containing (a) the contours of a proposed ECO multi-dimensional trade and investment strategy and (b) prospects of establishing a Free Trade Area in the region for consideration by Member States.

The 1st Meeting of ECO Heads of Tax Administration was held on January 14-15, 2013 in Tehran, the Islamic Republic of Iran. The Meeting was attended by delegations of the Islamic Republic of Afghanistan, the Republic of Azerbaijan, the Islamic Republic of Iran (host country), the Republic of Kazakhstan, the Kyrgyz Republic, the Islamic Republic of Pakistan, the Republic of Tajikistan, the Republic of Turkey, and the Republic of Uzbekistan as well as the Secretary General of ECO along with other officials of the ECO Secretariat. The meeting deliberated on the possible areas of regional tax cooperation. In the light of these deliberations, the meeting agreed as follows:

- a. Member States shall enhance mutual exchange of technical assistance as well as seek assistance from relevant international organizations, such as International Monetary Fund and the World Bank.
- b. Member States shall identify and adopt their best practices in the field of tax administration. In this connection, visits of ECO member countries' tax officials to get familiar with the tax system of other member countries shall be facilitated.
- c. Member States shall take steps to promote educational cooperation, including joint training courses, training seminars and workshops, and exchange of educational practices, through in-house training programmes and collaboration with international tax academies. The Member States shall exchange their proposals through the ECO Secretariat. In this connection, the Republic of Azerbaijan, the Islamic Republic of Iran and the Republic of Turkey expressed their willingness to organize training courses/seminars for the tax officials of ECO Member States on the following topics:

- i. Taxpayers Services to be hosted by the Republic of Azerbaijan;
 - ii. Risk-Based Analysis Management System to be hosted by the Republic of Turkey; and
 - iii. Transfer Pricing to be hosted by the Islamic Republic of Iran
- d. Member States shall encourage study and research cooperation including “scientific conferences” and “technical conferences”, “conduct of joint research projects and “joint publication activities” (publication of reports, papers, etc). In this connection, services of existing ECO Institutions/agencies such as ECO Science Foundation (Islamabad, Pakistan) and ECO Educational Institute (Ankara, Turkey) may be utilized.
- e. Meeting of Experts from the Member States would be held to discuss and finalize drafts of (1) Articles of Association of ECO Tax Administration Cooperation Society ECOTAX, (2) Limited Multilateral Agreement on Double Taxation Avoidance and Mutual Administrative Assistance in Tax Matters among ECO Member States and (3) Guidelines for Multilateral Exchange of Information in Tax Matters among ECO Member States. The Experts Meeting will present its recommendations to the 2nd Meeting of the Heads of ECO Tax Administration

The Islamic Republic of Afghanistan and the Republic of Azerbaijan signed the Articles of Agreement for membership to the Bank, in 2012. The Republic of Azerbaijan ratified the Agreement on February 15, 2013 and deposited the Instrument of Ratification. The Islamic Republic of Afghanistan was in the process of finalizing their national procedures for ratification of the Articles of Agreement. The Kyrgyz Republic also applied to be member of the Bank on September 15, 2013. The Board of Governors of the Bank approved the admission of Kyrgyz Republic to the Bank on November 08, 2013 and requested Kyrgyz Government to finalize the accession procedures.

The 18th Executive Committee Meeting of ECO-CCI along with all the Specialized Committees were hosted by Iranian Chamber in October, 2013. The business leaders while deliberating on ECO Trade Agreement (ECOTA), Transit Trade Framework Agreement (TTFA) and Agreement on Simplification of Visa Procedures for Businessmen and Transit Drivers of ECO Member States emphasized on the smooth implementation of these agreements for the growth of private sector. The Islamic Republic of Iran offered to host a workshop on Arbitration among ECO member States in 2014.

The 2nd Regional event of Trade Facilitation and e-Business (REFACT) was hosted by the Islamic Republic of Iran in October 2013 to accelerate the process of paperless trade and regional Single Window activities.

Pakistan signed the Agreement on Promotion and Protection of Investment among ECO Members along with the Amendment Protocol on the sidelines of the 21st Meeting of COM held on November 26 2013 in Tehran.

To start the 3rd phase of ECO-UNIDO Trade Capacity Building Project in the area of standardization, the officials concerned from the ECO Secretariat, the international expert assigned by UNIDO and UNIDO Representative in Tehran held a mission meeting on August 21-22, 2013 at the ECO Secretariat. The meeting discussed the proposed roadmap for the third phase of the project.

The 4th Meeting of ECOTA Cooperation Council was organized by the Islamic Republic of Iran on April 23, 2013 in Tehran. The meeting was attended by the delegates from all Contracting Parties, namely the Islamic Republic of Afghanistan, the Islamic Republic of Iran, the Islamic Republic of Pakistan, the Republic of Tajikistan and the Republic of Turkey. The Council discussed in detail the implementation of tariff concessions envisaged by ECOTA. In order to register a forward movement on start of Tariff Concessions under ECOTA, the Council decided as follows:

- i. The Contracting Parties, which have not already done so, shall submit their Positive, Negative and Sensitive Lists to the ECO Secretariat by September 01, 2013. The lists shall be circulated by the Secretariat provided that all the five Contracting Parties have submitted their respective lists.
- ii. The Secretariat shall prepare a road map for implementation of the ECOTA. The road map will analyze different interpretations of tariff reduction modalities without prejudice to the right of each Contracting Party to prepare its lists according to its own interpretation of the relevant provisions of ECOTA.
- iii. The Contracting Parties, with the exception of I.R. of Iran, will submit their interpretation of the relevant provisions of ECOTA to the ECO Secretariat within four weeks of the 4th Meeting of the ECOTA Cooperation Council. The Secretariat shall circulate the interpretations among the Contracting Parties.

Transport and Communications

Transport and communications sector is one of the ECO's highest priorities. Tangible progress has been achieved in this field in the recent years ending in 2013 and several major projects of regional and international significance have been completed or initiated. The ECO Transit Transport Framework Agreement is the basic document in this sector. The Transit Transport Coordination Council and its technical committees are set up to coordinate implementation of the TTFA.

Under rail sector, several activities and projects are being coordinated by ECO. The ECO Container Train on Islamabad-Tehran-Istanbul Route has started its regular monthly operation since August 2010. Further to decisions of the leaders of the

enroute Member States, ambitious investment programmes are being formulated to increase the speed of this train. The operation of the train is monitored by high level working groups of the enroute railway and customs officials. The business communities of the enroute member states are jointly working on commercializing the freight services of this train.

A container freight service is being opened on Almaty-Bandar Abbas Route. The Demonstration Run of this Train was inaugurated on 19 October 2011 in Bandar Abbas. Regular run of the Bandar Abbas-Almaty and Istanbul-Almaty Container Trains are being launched.

Significant progress has been achieved in the construction of the railway project Kazakhstan-Turkmenistan-Iran route, which is being monitored by a Trilateral Coordination Committee under the aegis of the ECO.

The 2nd High-Level Working Group Meeting on Qazvin-Rasht-Astara (Iran)-Astara (Republic of Azerbaijan) Railway Project was held in Rasht (Anzali) on 18th November, 2013 which reviewed the latest progress in the implementation of the projects in the respective enroute countries and discussed in detail different ways and means for expediting the commencement of the remaining projects through securing funds and investment.

A 2nd field visit was also conducted to the Qazvin-Rasht segment of the Qazvin-Rasht-Astara (Iran)-Astara (Azerbaijan) Railway Construction Project back to back to the said Meeting on 17th November 2013 with participation of the Ambassadors and other Representatives from the ECO Member States plus Finland and the Russian Federation. The preliminary visit to the project site was held in late May 2013.

The construction of railway connecting China to Europe through Kyrgyz Republic, Tajikistan, Afghanistan, Iran route has been brought to the Agenda of the ECO. The pre-feasibility study for Afghanistan has already been completed with support of ADB. The feasibility study in Tajikistan has started with a US\$1 million grant by Iran. Currently funding sources are being explored to start the study in the Kyrgyz Republic.

The 6th Meeting of the Road Committee of the TTCC was held in the ECO Secretariat, Tehran, on 8th December 2013 which considered and discussed in details the implementation of road related provision of TFPA and latest progress on Islamabad-Tehran-Istanbul (ITI) and Kyrgyz-Tajikistan-Afghanistan-Iran (KTAI) Road Corridors.

The Meeting also adopted the Report of the Project for ECO Regular Monitored Run of Trucks (ECO-RMT) in partnership with IRU. This project was

started in 2011 in subsequent to the successful ECO Silk Road Demonstration Truck Caravan in 2010. The project involved organizing and monitoring 150 commercial journeys of trucks from different nationalities. The project formulated concrete recommendations to improve transit operations in the region. Data analyzed through NEA Institute (Netherlands) using UNESCAP 'Time-Distance-Cost' methodology. The findings depicted the exact situation on various aspects of transit operations: visa, permit, fuel, speed, costs, unofficial payments, customs procedures, application of the TIR Convention, etc. For example:

- Waiting time in queues takes 30% of the total travel time.
- Average speed is only 15 km/h.
- Unjustified levies are about 22% of the total costs.

The ECO Road Network Development Plan, which has been prepared under the aegis of the ECO/IDB Project on TTFA was also adopted in the said Meeting. The ECO/IDB Project was started in 2009 with assistance of the Islamic Development Bank (IDB) for preparation of a regional program for implementation of TTFA.

Subsequently, the three components namely Railway, Road and Insurance of the Project have been successfully completed. As the last component of this project, the study on customs transit is going to be started shortly with the assistance of international organizations.

As regards road sector, the Project for the establishment of the ECO Road Transport Corridors between a) Islamabad-Tehran-Istanbul and b) Kyrgyz Republic-Tajikistan-Afghanistan-Iran have been initiated and concrete action plans for operationalization of the corridors have been prepared by the working groups of the enroute member states, held respectively in Herat (February 2012) and Islamabad (April 2012).

Accordingly, the 2nd and 3rd Meetings of the enroute countries of Islamabad-Tehran-Istanbul Road Transport Corridor were held in Tehran and Ankara, on 4-5 February 2013 and 23-24 September 2013, respectively. The 2nd Meeting of the High Level Working Group (HLWG) of Kyrgyzstan-Tajikistan-Afghanistan-Iran Road Transport Corridor was also held in Bishkek, the Kyrgyz Republic on 29-30 October 2013. The Meetings reviewed and followed up the activities of action plans and operationalization of these road corridors.

The reactivation of the TIR Convention in Afghanistan has been finalized with close cooperation between the ECO, IRU and the Government of Afghanistan. The ECO is also in close contact with IRU and the Government of Pakistan to expedite the process of Pakistan's accession to the TIR Convention.

The 6th Meeting of the Transit Transport Coordination Council (TTCC) was

held in ECO Secretariat, Tehran on 9th December 2013 which the report of the auxiliary committee of TTCC and the Programme of the TTFA Fund for 2014 was approved. The Meeting also reviewed the status of accession of the Member States to the related international conventions/agreements.

The ECO pursues several mechanisms to support interconnectivity. The Online Money Order system (a common medium for financial postal services), the ECO White Card Scheme (for expanding motor vehicle third party liability insurance), and the Unified Visa for Drivers are examples of such practical initiatives. The statute of the ECO Logistic Provider Associations Federation (ECOLPAF) has been finalized and the Federation will be established soon, to enhance public-private partnerships in the development of transport in the ECO region.

Energy

ECO region is an important supplier of oil and natural gas to the world market thus contributing to the international energy security. But it is also a region where the energy demand is high and will grow fast along with socio-economic development of the Member States, thus requiring adequate, efficient and equitable provision of energy services. Rich oil and gas resources of the Persian Gulf and the Caspian Sea have made distinction among ECO Member States dividing the countries in producing, consuming and transit countries, all in need of intra-regional energy trade arrangements.

ECO Plan of Action for Energy/Petroleum Cooperation (2011-2015) adopted by the 2nd Ministerial Meeting on Energy (October 2010, Dushanbe), serves as a suitable platform/framework for our energy cooperation. Almost all possible areas of energy cooperation – ECO Power Grid, renewable energy, establishment of institutional framework, promotion of private sector investments, relations with third parties were comprehensively covered and steps for strategy/action were clearly defined in this important document. Implementation of this Plan of Action stipulates common efforts and synergy by all stakeholders, including Secretariat and the concerned authorities of Member States.

The third ECO Ministerial Meeting on Energy held in March 2013 proclaimed 2013-2022 as the “ECO Decade for enhanced Energy Cooperation”. The ECO Member States have committed themselves collectively to promote regional cooperation on energy within the Region and beyond. Several initiatives and new platforms/dimensions for regional energy cooperation namely, New Mechanism for enhancement of energy cooperation, interconnection of power systems of ECO Member States, renewable sources of energy, energy efficiency and conservation, establishment of ECO Refinery Association, Establishment of a Trust Fund for financing of high priority ECO regional energy projects and etc. discussed and adopted

during the Meeting. By adopting Tehran Ministerial Declaration ECO Member States had revealed their willingness for future energy cooperation and necessity to enhance such cooperation.

World community is moving towards renewable energy, energy efficiency and conservation. UN Secretary General's initiative "Sustainable energy for all" and its objectives/goals of ensuring universal access to modern energy doubling the global rate of improvement in energy efficiency and doubling of share of renewable energy sources (RES) in the global energy mix by 2030 needs focused attention by all stakeholders, including multilateral groupings. In this regard ECO is willing to contribute to this global trend via multilateral/regional policy debates. Several RES meetings/seminars/high level working groups have so far held under the aegis of ECO. The 2nd Meeting of ECO Working Group and 4th Workshop on Renewable Energy Sources (RES) were held on 20-22 November 2013 in Baku and Gobustan, accordingly (back-to-back). The main purposes of these events were to discuss latest developments, implementation of the related activities, as well as exchange of views on the implementation of the ECO Plan of Action for Energy/Petroleum cooperation in the field of RES. The Meeting appreciated the proposal of the delegation of the Republic of Azerbaijan to establish a ECO Data Information Network on RES (ECO DIN on RES) in Baku, in order to create database and further data interexchange in the field of RES technologies, energy potential, promising projects, standards and regulations among the ECO Member States.

On energy trade some progress reached in 2013. The 1st Experts Group Meeting on "Establishment of the ECO Regional Electricity Market" was held on 5-6 November 2013 in ECO Secretariat, Tehran, Iran. The main outcomes/recommendations of the Meeting were to establish an Electricity Market in the ECO region as a pilot project with participation of Iran and Turkey initially and later other interested ECO Member States may join this Electricity Market for maximum benefit of ECO Region. To realize this idea, several Iran-Turkey bilateral meetings with coordination of ECO Secretariat, including through drafting the Terms of Reference (TOR) for a feasibility study on establishment of ECO regional power market are planned to be arranged in the near future. The overall idea is to create synergies among and benefit from the complementarities, which will contribute to sustainable development and long-term energy sustainability of the ECO Region.

In 2013, some training courses on oil & gas industry were successfully organized jointly by the Iranian Ministry of Petroleum, National Iranian Oil Company (NIOC) and Iranian Oil and Gas Training Center (OGTC), namely, An Introduction to Drilling Engineering/Operation; Hot Works Requirements, Fire Protection for LPG Storages, and Flammable Properties. Likewise, a Workshop on "Oil and gas drilling" which was organized by the State Oil Company of Azerbaijan Republic (SOCAR) and gathered the leading companies and experts proved to be quite successful.

Minerals

The 189th Council of Permanent Representatives (CPR) Meeting (11 November 2013) has approved an amount of US\$ 50,000/- from Feasibility Study and General Purpose Fund for the *Project Profile on ECO Seismic Hazard Reduction Programme (ECO-SHARP)*. Contract for Consultancy Services between ECO Secretariat and Geological Survey of Iran is under preparation. Duration of this project is 24 months.

Total estimated project cost is 300,000 US\$. Geological Survey of Iran (GSI) will finance the project at a total amount of 250,000 US\$. The rest amount of US\$ 50,000 will be allocated from ECO Feasibility and General Purpose Funds (ECO FGPF). Main goals/outcomes of the Project will be:

1. Preparation of the project catalog (filtering out useless information from the original seismic catalogs); including computer programming;
2. Preparation of a Seismotectonic Map in GIS-Ready Format;
3. Recognizing potential seismogenic sources and calculation of required seismicity parameters for potential sources and determination of suitable attenuation relationships for study area;
4. Probabilistic Seismic Hazard Analysis (PSHA);
5. Creation of Seismic Hazard and Spectral Acceleration data Maps;
6. Creating the Geo-Database and GIS data processing.

Environment

The Framework Plan of Action on Environmental Cooperation and Global Warming in ECO region (2011–2015) was adopted during the 4th ECO Ministerial Meeting on Environment (9 June 2011, Tehran, Iran). This Plan of Action serves as a useful tool for Environmental cooperation in ECO region.

The ECO Institute of Environmental Science and Technology (ECO IEST) in collaboration with the Ramsar Regional Center in Central and West Asia (RRC-CWA), UNEP World Conservation Monitoring Center (UNEP-WCMC) and with the financial support from the Government of Norway organized two back to back events namely Workshop on “Ecosystem Management of Wetlands” and “Regional Meeting on Biodiversity and Ecosystem Services” in Ramsar city, Iran on 25-26 February and on 27-28 February, 2013, respectively.

The ECO Bulletin on Environment is a publication dedicated to news, subjects and recent environmental developments and has been publishing regularly since 2004. With reference to Para 157 of the Report of the 23rd ECO Regional Planning Council (RPC) Meeting (Tehran, 6-8 May, 2013) the ECO Bulletin on Environment will be as a

part of the ECO Chronicle-The News Magazine of Economic Cooperation Organization.

The ECO Science Foundation (ECOSF) in collaboration with the ECO Secretariat, ECO Institute of Environmental Science and Technology (ECO IEST), Pakistan Museum of Natural History, Pakistan Science Foundation, Government of Pakistan and UNESCO Pakistan organized the “Experts Meeting on Climate Change and Biodiversity” on 29-30 November 2013 in Islamabad, Islamic Republic of Pakistan. During the course of this Meeting, inter alia, the following were discussed:

- ✓ Revision of the Project Profile entitled “Preparation of a regional program for implementation of the Framework Plan of Action on Environment Cooperation and Global Warming for ECO Member States (2011-2015)” by the ECO IEST;
- ✓ Establishment of an Environmental Information Network (EIN);
- ✓ Holding a side-event during the next Conference of Parties (COP) Meetings of United Nations Framework Convention on Climate Change (UNFCCC) and/or Convention on Biological Diversity (CBD) to focus on joint access to the Adaptation Fund (AF) under the UNFCCC by the ECO countries.

Agriculture

As a prior sector, Agriculture is in the process of growth and in the economies of our region. It plays an important role as source of employment for the rural population, raw input for the industry and as export commodity in the ECO region. The region is very rich in variety of soil, environmental and climatic conditions and has a wide range of agro-ecological zones, suitable for crop and livestock diversification. Within the implementation of the eco Regional Programme for Food Security (ECO-RPFS), the following activities and arrangements took place during the year 2013.

The 1st Steering Committee Meeting of the ECO Regional Coordination Centre (ECO-RCC) for Implementation of the ECO-RPFS and ECO-RCC Food Security Inception Workshop were held on 23-24 and 25 September, 2013 in Ankara Turkey. During the above meeting, it was decided to re-formulate the ECO-RPFS Document. Afghanistan, Azerbaijan, Iran, Kyrgyzstan, Pakistan, Tajikistan and Turkey have nominated their National Focal Points during the 1st Steering Committee Meeting of the ECO-RCC.

The outcomes and recommendations came up during the workshop are as follows:

- To enhance/amend/delete or add new Programme Components to the ECO Regional Programme for Food Security, and increasing awareness of Member States and ownership related to RPFS were proposed.
- Urgent determination of national focal points for RPFS was stated to be

fundamental for effective cooperation and successful operation of ECO-RCC.

- Contributions of Donor institutions towards RPFS were emphasized to be essential for a successful implementation of RPFS.
- All participating Member States showed their interests in cooperation on food security and agreed on cooperating in all ECO-RCC activities and joint projects or trainings.

According to the questionnaire result, which was circulated to the delegations; it was found that participating Member States were more interested in the following components according to their importance; 1) Strengthening of Regional Seed Supply, 2) Coordinated Research on Wheat Improvement, 3) Integrated Pest Management, 4) Development and Maintenance of Pastures and it was also concluded that the following indicators could be used to determine the success or performance of ECO-RCC; number of projects implemented per RPFS component, establishment of a communication network on Food Security, and number of trainings under RPFS.

The 4th ECO Seed Association (ECOSA) International Seed Trade Conference (ECOSA-2013) and 4th General Assembly Meeting of ECOSA was held in Istanbul on January 11-13, 2013, in which more than 200 private and public sectors representatives and seed sector specialists from ECO Member States participated.

The 5th ECOSA International Seed Trade Conference and Seed Trade Fair also held on October 2-3, 2013 in Bishkek. The main theme of the conference was the plant breeding and breeders' rights. It has been focused on the expectation to bring the private sector into the forefront mainly to start the trade in our region. The private sector representatives and seed sector specialists from the ECO Member States and various international organizations and institutions, companies from other foreign countries participated in the Conference. The Conference was organized jointly by FAO, ECO Seed Association (ECOSA) and Turkish Seed Association (TURKTOB) in collaboration with ECO Secretariat.

The ECO/FAO-SEC Project on Seed Sector Development in the region, which is financed by Turkey within the scope of FAO-Turkey Partnership Programme (FTPP) with total budget of 400.000 USD, has started its implementation in 2013. The Inception Workshop for Seed Sector Development in the Countries of the ECO, held on June 27-28, 2013 in Ankara, Turkey in this regard. The workshop was envisaged as an official launch to project activities and designed in order to present project objectives and discuss the problems and prospects of seed sector development in ECO Member States. The representatives from the Ministries of Agriculture of member States, ECO Secretariat, ECO Region Seed Association (ECOSA), FAO and ICARDA participated in the workshop.

The agreement for the utilization of US\$ 50,000 from ECO Feasibility and General Purposes Fund (ECO-FGPF) to establish the ECO Centre for Efficient Utilization of Water for Agriculture (ECO-CEUW) in Islamabad, Pakistan, has been prepared/finalized and sent to the Pakistani concerned authorities for signing.

The Member States are requested to ensure early establishment of the ECO Meteorological Calibration Centre (ECO-MCC) by finalizing the Draft Statute and Plan of Action to strengthen cooperation in the concerned field. The draft basic documents for the establishment of the ECO-MCC were prepared by Turkey. The International Training Course on Basic of Calibration on September was organized on 30-October 4, 2013 in Turkey.

The concerned authorities of the Islamic Republic of Iran redesigned and launched a new dynamic website for ECO-ABN at www.eco-abn.net for better communication with national focal points as well as biotechnologists and researchers in all member countries.

As new proposal by the ECO Secretariat; the Secretariat has initiated a proposal for Seed Exchange Programme among the ECO Member Countries. The issue may be taken up under the 2nd Phase of Technical Cooperation Programme (TCP) for the strengthening seed supply in the region. The Secretariat also proposes to organize Buyers/Sellers meetings/forums on wheat, cotton and other commodities to improve intra-regional trade. Member States may send their project proposals related to the Food Security to ECO-RCC for necessary action.

III. Major Development in the ECO Countries in 2013



Islamic Republic of Afghanistan

Afghanistan as a result of more than three decades of internal conflicts has lost most of its main social and economic infrastructures and it has been changed to one of the poorest and a consumed country in the world.

After the Bonn Agreement, Afghanistan entered into a new era, establishment of a democratic government Afghanistan adopted its first constitution in three decades, which laid the political and economic development foundation for the country. Free and fair democratic elections for president, the National Assembly and Provincial Councils were conducted that voters participated in the presidential election and women were elected to the National Assembly. National Assembly composed of Woolsey Jirga House of the People, and Meshrano Jirga House of Elders.

The overriding objective is to sustainably improve the lives of the afghan people and create the foundation for a secure and stable country and lays out strategic priorities and policies program and projects. Reduce poverty ensure sustainable development through a private sector-led market economy improve human development indicators and make significant progress towards the millennium development goals.

Its natural resources include gold, silver, copper, zinc, and iron ore, precious and semi-precious stones and potentially significant petroleum and natural gas reserves in the north. It also has quantities of uranium, coal, chromate, talc, barites, sulphur, lead, marble, and salt. It was revealed that the country has a large amount of unused mineral deposits.

The state of Islamic Republic of Afghanistan would try to expand and develop the capacities in order to establish an efficient, transparent and accountable administration, in order to be more effective. Moreover, will do its best to coordinate

the National development priorities, supervising the expenditures and improve the collection of the interior revenue, struggle against corruption, strengthening justice and the rule of law and converting the country economy from the illegal, unlawful and baseless income to a legal and self-sufficient economy. It is expected to decrease the poverty caused by the low income significantly and the sever hunger be annihilated.

Afghanistan is a country that having a large amount of natural and human resources and social and economic potential but as a result of the lack of the necessary capital, technical knowledge, backwardness of the social and economic organizations and security issues has not been able to use these resources properly and from other point of view being a land locked country caused that the social and economic development of the country process to some extend be difficult and costly.

The state of Islamic Republic of Afghanistan by taking proper planning and measures has been able to achieve relatively to some economic growth in roads, industry, transportation, education, health sector, providing rules and regulations for monitoring of the public and private sectors activities and etc.

Country population in 1393 (2014-2015) is estimated to be 28.1 million, out of which 14.4 million male and 13.7 million female. The settled population of the country excluding nomads is estimated at 26.6 million, of which 13 million (49%) are females and 13.6 million (51%) males. The urban populations were 6.5 million (24.4%) and 20.1 million (75.6%) live in rural areas.

The value of GDP in 2013-2014 was 21.2 billion dollars, per capita income has increased from 207 dollars in 2002 to 779 dollars in 2013-2014. In this growth the share of agriculture was 24.6, industry was 19.7 and services was 51.8 percent. The value of construction sector has increased from 1,441 million dollars in 2006 to 93,868 million dollars in 2013-2014.

Gross National Product (GNP) in constant price in the past 11 years has had as an average more than 7 percent growth annually where in general was acceptable, but due to the unsuitable climate, lack of funds and improper using of international community's resources this growth was not as per the expectancy.

There are 17 banks operating in the country, out of which 3 banks are public banks, 9 private banks and 5 are foreign banks.

Sectoral achievements: Communications and Information Technology

Communications and Information Technology sector as an infrastructure services sector has a basic role in social and economic growth and security. Before 2002 communication services were under the state monopoly, therefore this sector has not been developed and Afghanistan has left one of the underdeveloped countries in

the world. After the establishment of the interim government, Ministry of Communication and Information Technology, prepared and implemented communication and information technology's policies and strategies. Issuing activity's permissions for the 6 communication companies, telephone and mobile and 44 internet companies and 6 post services companies, totally they invested about 2 billion US dollars in this sector.

As a result of the investments in this sector up to now, the communication services cover a round 90 percent of the country's population. There are around 2 million people benefiting from the digital telephones and mobiles. The postage service is functioning through 464 post offices in the capital and provinces and provided employment for 115 thousands directly or indirectly in this sector.

Optic Fibre Cable that is the most improved communication technology, is being implemented in the country and up to now 12 provinces has been connected to this system and the work is continuing in other provinces as well .Right now Afghanistan has connected to Pakistan, Iran, Tajikistan and Uzbekistan countries through Optic Fibre Cable.

The improved digital telephones and Internet services using the 1,500,000 lines in 5 big cities Kabul, Mazar, Kandahar, Jalalabad and Kunduz has been complete 95 percent and work is being continuing on 25,000 line in 7 other cities.

Information and culture

Radio, TV and newspapers are the best means of the public awareness and the government's aim and objectives are explained and clarified to the publics through audiovisual and newspapers.

Considering the importance of this sector during years 2002-2013, the capacity of this sector in the public and private sector has increased significantly. During this period the volume of the Radio podcasting increased to 702,260 hours and TV to 491,655 hours. There were 177 radio stations including 121 private and 100 TV stations out of which 55 private stations were established.

Energy and Water

Since Afghanistan is a mountainous country and mountains cover one fourth of the country's area, has got sufficient resources of water and about 60-75 billion cubic meter water flowing annually in the country. Unfortunately, only 30 percent of the water using for 1.9 million hectare agriculture land. Although country has got more than 23,000 MW electricity potential but right now there are few hydropower factory in the country, having the total capacity of 250-270 MW, whereas this capacity as a lack

of maintenance during the conflicts in 2002 got only 190-210 MW capacity but after the reconstruction and rehabilitation of the existing hydropower plants such as Naghlu, Surobi, Darunta and partly Kajaki factories during the last 15 years with the cooperation of the international communities has increased to 270 MW. However, after 2002 the feasibility study of some hydropower plants projects using the developing budget and international cooperation have been completed but due to the lack of financial resources their implementation have not been started yet. Therefore the new capacity has not been created. Islamic Republic of Afghanistan has started to purchase the electricity from the neighbouring countries that currently there are about 325-335 MW electricity being imported from out of the country. Now it increased from 7% in 2002 to 37%.

Transportation

Taking into consideration the destruction and devastation that the country has been suffered during the continues conflicts, it requires widespread work for the reconstruction and renovation. Expansion and formation of air transportation, supplying of technical equipment and other facilities for the guidance of the planes, the Kabul international airport has been renovated and another Terminal was built next to the previous one with the capacity of one million passengers annually and Kandahar, Herat and Mazar airports have been developed to international airports. The Kandahar runway increased to 3km, Mazar 2 km and Herat to 500m and apart from that the construction work of Daikundi, Kundoz, Cheghcheran, Qala Now, Faryab, Faiz abad, Lashkarghah and Uruzgan airports have been completed and being used. The construction work of Khust , Nimrooz, and Bamyan airports have been started. Moreover, 26 airports for the takeoff and landing of Helicopter and UN planes have also been constructed.

For the creation of new capacities, air transport institute have been restarted and a number of the students have been sent out of the country to build their capacity. Four private air services companies have established and they were provided with the necessary facilities for proper competition in the air transportation markets. The security system services in the airports have improved and some of air transportation rules and regulations have prepared and implemented and for the establishing of air lines between Afghanistan and other countries agreements have signed to some countries and the technical legal condition of civil air transportation for rejoining of Afghanistan air transport authority to the world civil transportation (ICOA) and establishing of Air Transport Ministry. As a matter of fact, Afghanistan air transport has been able to join to some of the regional organizations such as ECO, SARC, TARASICA and CARAC.

For improvement of Road Transportation it has joined to TIR and IRU and transit and transportation agreements has signed to Pakistan, Iran, Tajikistan, Uzbekistan and Turk.

Public Work

Since there is widespread poverty in the country, access to markets could decrease the poverty. About 8000 km paved roads and about 12,000 km of gravel roads have been either newly built or rehabilitated, consisting regional roads, Ring roads, roads that connecting ring roads to the neighbouring countries provincial roads and national highways. About 2000 km ring roads have been completed and about 300 km of that Qaisar-Bala, Murghab-Laman-Armak and Dushi-Pulikhumri are being constructed.

About 1000 km roads, connecting the ring roads to the neighbouring countries have been completed. More than 1000 km highways and 3000 km of provincial and city roads have been completed as well and being used. For the first time rail roads as the new phenomenon has been built in our country and 106 km Hiraton-Mazar-i-Sharif length rail road has been built and being used .The preliminary works of Khawas-Samangan, 61 km rail road has been completed. Feasibility studies of many routes for constructing have also been completed.

Education

There were totally 8,764,627 students studying in 14,969 schools were being taught by 212,386 teachers, out of which 64,364 of them were female. As education is one of the main sectors for paving the way for the basic education and decreasing of illiteracy in the country, therefore considering the high rate of the illiterate population in the country, elimination of illiteracy is one of the main functions of the ministry of education.

Higher education

Social and economic development require financial, technical and human resources .Islamic Republic of Afghanistan allocates significant budget annually for the training of professional cadres to establish new universities across the country. The total number of the public and private higher institutions and universities were 110 in 2013-2014, and the number of the faculties was 401. Although the number of students increased from 22,600 in 2002 to 206,999 in 2013-2014 of which 39,406 were female.

Health

There were totally 149 state hospitals and 252 private hospitals in the country. The number of the beds was 14,534, the number of the doctors were 9,184 and medical staff were 16,382. Currently treatment from the far distance tale medicine are being implemented in Badakhshan and Bamyan provincial hospitals and French medical hospital for children (FMIC) are linked to Agha Khan hospital in Karachi of

Pakistan. Before this Indraghandi child hospital linked to the Laknahoo and Chandigar of Hindustan's health centres that are still being used continuously.

The child deliveries under the presence of skilled persons has increased from 6% to 34%, it means from each three birth in the country, one of them delivers under the presence of a skilled person. The distance between the births increased from 15% to 20%.

Agriculture, Rural developments and Irrigation

Agriculture sector has a basic role in economic development. More than 60 percent to 70 percent of country's population directly or indirectly engaged in agriculture. Agriculture products animal, vegetative consist about 31.4 percent of Gross Domestic Products (GDP) and 27 percent of total exporting income.

There are 7.91 million hectare arable land under cultivation, irrigated and rain feed in the country, out of which 2 million hectare is irrigated land (26%) and 1.5 million hectare (18.9%) are rain feed land that cultivate only one season.

During the past 30 years of fighting in the country, there was huge destruction and devastation and mainly our national economy specially agriculture sector has been suffered a lot and most of the population that were engaged in agriculture have left the rural areas and displaced to the cities and other countries and make himself busy to other occupations, consequently agriculture lands, orchards and forests have abandoned unusable and the main irrigation systems as a lack of maintenance either damaged or destroyed. Lack of improved seeds, chemical fertilizer and technical equipment, floods, decreased the agriculture products significantly. Although there are about 12 percent arable land but still less than 6 percent are being cultivated.

Eighty five percent of total cereals obtained from 5 percent of irrigated land only, which consist 55 percent of irrigated land. Irrigation system based on springs, canals and wells consist about 30 percent of total irrigated land that were built during years 1960 to 1970 and covers about 15 percent of irrigated areas.

Irrigated land has increase from 1.2 million hectares to 1.8 million and the wheat production has increased from 1.2 million tons in 2001 to 3.2 million and rice production has increased from 122 thousand tons to more than 450 thousand tons. The orchards areas increased from 75,000 hectares to 120 thousand hectares. Consequently, grape production has increased from 364 thousand tons in 2001 to 615 thousand tons in 2010 and almond has increased from 19,000 tons to 56,000 tons. Zofran cultivation has been restarted and increased its production from 20,000 tons to 45,000 tons annually.

Source: Country Report on economic performance of the Islamic Republic of Afghanistan in 2013



Republic of Azerbaijan

A shift to a knowledge-based economy in Azerbaijan has followed world's prevailing trends in its developed and developing economies, as part of exit strategies from the global economic crises, and a chart path to resist potential future global economic shocks. Such a shift has been reflected in the country's national strategy for 2011-2020, in which knowledge has become a major driver of value added in future perspective economic growth.

Development of Azerbaijan's mainly oil-sector oriented economy over the recent past has necessitated the improvement of existing infrastructures and construction of economically innovative settings for the future inclusive social development, to focus on the improvement of the non-oil sector, in the first place.

In the meantime, in 2012, production of oil and gas has started reducing its share in the country's budget revenues, enabling the non-oil sector to step in. The latter has geared to play a critical role in gradual regaining of buoyant economic performance, projected for the mid-term future.

Having the current accounts in surplus at 16.6 percent of GDP, growth in the country's real GDP increased from 2.2 in 2012 to 5.8 percent in 2013. In any given economy, healthy dynamics in the current accounts is a sign of sustainable growth. Over the past years of global crises, Azerbaijan's current accounts recorded impressive surplus. That has demonstrated solidity in the country's capital and trade operations, regardless of temporary setbacks in growth, customary for an oil producer economy.

As one of world's top fastest growing economies in the recent past, Azerbaijan has faced a slowdown in 2011 and started a gradual recovery during 2012. But such short-lived setback was caused by the necessities associated with economic restructuring, in preparedness to much higher more sustainable future growth. Per capita real GDP increased by 4.4 percent to the US\$ 7,977.4 mark, third highest in the region. In 2013, unemployment neared 5.0 percent, annual. The volume of real GDP reached US\$ 74.2 billion.

Low indebtedness has conventionally been a gateway to long-term economic sustainability. The external debt of the country has moderated to 7.5 percent, on average, over the period 2008-2013, far below the regional average. Inflation has been suppressed over the recent past, and in 2013, it showed 2.4 percent annual average, one of the lowest in the region.

In trade, the volume of Azerbaijan's overall external trade has reached US\$ 34.7 billion. Still, surpluses in trade have recorded US\$ 13.3 billion mark.

In traditionally prevailing oil sector of the economy, crude petroleum production in 2013 has increased 0.2 percent. Gross oil production volumes have recorded 43,083.3 million tons. Natural gas volumes have increased by 4.1 percent and let to increase the volumes of natural gas by 2.1 percent diverted to electricity production which resulted in production of 21,864 million kWh electricity.

Private sector development during 2013 received substantial support of the government. As mentioned earlier in the report, involvement of private small & medium sized trading companies in the 16.5 percent increase in Azerbaijan's trade with ECO in 2012 has been directly supported by the government, in fulfilment of country commitments on regional trade expansion. In addition, effective diversification within framework of the knowledge based economic model of the country has resulted in rapid industrialization of the agriculture sector, of which production in 2013, increased by 4.9 percent compared to 2012. Larger contributions to such increase came from the private sector.

The share of foreign direct investments in GDP has been estimated 8.6 percent in 2013. Foreign direct investments have totalled to US\$ 5.976 billion, augmenting by essential 11.0 percent compared to the 2012 level. Economically attractive geopolitical positioning of Azerbaijan with abundant hydrocarbon resources, high technology-based industrial innovation, being introduced into the economy, have ushered increasing foreign direct investment flows inwards. In addition agriculture, especially fishery is priority area for investment.

On its path to the knowledge based and thus sustainable economy, Azerbaijan has all potential in place to regain world's economic heights, once achieved in the past, With robust industrial sector, accounting to 57.0 percent of GDP in 2013 (including industry and construction) and agriculture 5.4 percent, services have increased by 1.8 p.p. to 30.9 percent share in GDP. That signalled a considerable shift to the non-oil sector development, aimed at reducing dependability on traditional oil and gas. In view of the above performance in 2013, Azerbaijan's outlook for prospective economic growth in the near and medium term is positive, as the economy's transition to the knowledge based economy is gaining a sustainable pace.

Foreign trade of Azerbaijan and trade relations with ECO countries (million USD) 2013 as percent to previous year 2012			
Total Turnover	33 560,85	34 687,92	3,36
Turnover with ECO	3 083,18	2 986,35	-3,14
<i>share in total, in %</i>	<i>9,19</i>	<i>8,61</i>	
Total import	9 652,87	10 712,50	10,98
Import from ECO	2 081,90	2 040,37	-1,99
<i>share in total, in %</i>	<i>21,60</i>	<i>19,00</i>	
Total export	23 907,98	23 975,42	0,28

Source: Country Report on economic performance of the Republic of Azerbaijan in 2013



Islamic Republic of Iran

The developments of political economy of Iran in 2013 should be assessed for the two six-month periods of the first and second half of the year. The economic and financial situation in the first half of 2013 was the continuation of the sluggish state of the previous year while in the second half of the year, after the commencement of the government of prudence and hope, the national economy was stabilized.

The general economic trend and interactions of the Iranian economy with the world economy from the beginning of 2011/12 had evolved in a way that the presidential election results were conceived to be important for all economic players in Iran. The uncertainties, ambiguities in economic strategies and foreign relations issues, the absence of any vision for the national economy over the medium term, and the vulnerabilities regarding international sanctions had caused too much difficulty so that economic experts were watching presidential campaigns very closely in the hope that the presidential election would result in a new outlook for economic activities.

The victory of the government of prudence and hope created a lot of positive sentiments and confidence in macroeconomic policymaking and the reversal of pessimistic expectations in the second half of the year. The new approach of the government in its international interactions of the so-called Geneva II agreement created the hope that the economic situation of Iran would stabilize and cause acceleration of expectations among the public at large. The stability in the asset market, decline in foreign exchange rate, and the exit of speculators from the foreign exchange market, financial discipline and government commitments to constrain expenditures within the boundaries of accessible resources, financial sector reforms and revisit of gigantic Mehr Housing Program along with deregulation of the economy created a better business environment for economic players in Iran.

The general approach of CBI monetary, credit, supervisory, and foreign exchange policies in 2013 was based on preservation of financial stability and oversight of market players' behaviour in the financial market. Higher monetary discipline, stability in the foreign exchange market, improvements in the structure of liquidity growth in favour of indigenous money, optimum management of foreign exchange allocation, conduct of banks' credit to unutilized economic capacities and increasing facilities for working capital, and updating foreign exchange regulation and facilities for companies in access to foreign finance are the most important policies implemented in 2013, based on the advice of CBI's experts. The efficacy of this package is evidenced from continuous decline in inflation and deceleration of negative economic growth in the last quarter of the review year.

GDP at base year constant prices of 2004/05 declined by 1.9 percent in 2013/14. This variable experienced a much higher decline of 6.8 percent a year prior to 2013/14. The sharp decline of GDP in 2012/13 was mostly due to the acute fall in the value-added of the oil sector which was affected by international sanctions imposed on the oil sale and export of Iran. The value-added of oil sector shrank by 37.4 percent in 2012/13. Iran reached an agreement with the so-called 5+1 countries on nuclear issue and signed the Action Plan in January 2014, which improved slightly the production and export outlook of Iranian crude and refinery products. However, the supply condition of oil and oil related products of Iran in the second half of 1392 (2013/14) compared to the performance of 2012/13 was not satisfactory and created no positive impact on the value-added of the oil sector in 2013/14. Based on these developments, the value-added of the oil sector fell by 8.9 percent in 2013/14 and GDP negative growth of 2013/14 at constant prices declined sharply compared with the year before.

The achievements of the Iranian economy over the past two years had positive effects on unemployment rate. Based on SCI estimates, the unemployment rate of 12.1 percent in 2012/13 declined to 10.4 percent in the review year.

The most important achievement of the Iranian economy in the second half of 1392 (2013/14) was inflation deceleration and decline after the constant rise of inflation before that period. Inflation accelerated at the first seven months of 2013/14 and reached 40.4 percent in October 2013. From the end of October, inflation experienced a declining trend, reaching 34.7 percent in March 2014. The month-to-month CPI rate was at the peak level of 45.1 percent in June 2013 and from that month, started a declining trend, reaching 19.7 percent by the last month of 2013/14. The decline in foreign exchange rate and the lowering of its fluctuations along with better economic outlook had a vital role in anchoring inflation in that year.

Regarding the external balance of payments, the surplus of current account of BOP in 2013/14 surged by 6.4 percent compared with 2012/13 level, reaching US\$ 28 billion in 2013/14. Given all foreign exchange receipts and payments of CBI in 2013/14, the foreign reserve level of CBI grew by US\$ 13.2 billion in 2013/14.

By and large, it seems that the general performance of the Iranian economy in 2013/14, though not in accord with ideals and optimum targets, was substantial, given the difficulties in the external environment and the tight conditions imposed on the eleventh government. CBI put all its efforts into the utilization of limited resources, which were available to it, and the opportunities created through improvements in international relations to overcome the challenges and create an environment of stability and tranquillity in the Iranian economy. The published data indicate relative success of CBI in attaining these targets.

Based on preliminary estimates, gross domestic product at basic and current prices increased from Rls. 7,091 trillion in 2012/13 to Rls. 9,343 trillion in 2013/14, indicating 31.8 percent nominal growth. Considering the changes in the general level of prices, the preliminary data on the real sector of the economy are indicative of 1.9 percent decrease in GDP at constant 2004/05 prices, as against -6.8 percent growth in 2012/13. This shows a lower negative GDP growth in 2013/14, at constant prices.

According to preliminary estimates, in 2013/14, "oil", "services", and "manufacturing and mining" groups, with shares of respectively -1.0, -0.9, and -0.8 percentage points in economic growth, had the highest contribution to GDP reduction, at constant prices. In "manufacturing and mining" group, "manufacturing" and "construction" subgroups had the highest shares in the fall of GDP by -0.6 and -0.2 percentage points, respectively. Furthermore, in "services" group, "trade, restaurant, and hotel" and "financial and monetary institutions services", with -0.7 and -0.6 percentage points, respectively, were the main factors behind the decrease in GDP.

Based on preliminary data, final private and public consumption expenditures grew by respectively -1.0 and 1.6 percent, at constant 2004/05 prices, in 2013/14.

Comparing these figures with the corresponding figures of the previous year indicates a rise in the growth rate of private and public consumption expenditures. Based on estimations for 2013/14, the growth rate of gross fixed capital formation showed 6.9 percent reduction at constant prices and in the machinery and construction subgroups, it decreased by respectively 16.1 and 1.1 percent compared with the year before. The downward trend of these variables was, however, decelerated in 2013/14 compared with the year before. According to the preliminary estimates for 2013/14, in the foreign trade sector, exports and imports of goods and services recorded respectively 0.0 and -18.7 percent growth, at constant prices, compared with the previous year.

Source: Annual Review 2013/14, Central Bank of the Islamic Republic of Iran



Republic of Kazakhstan

Kazakhstan is an upper-middle-income country with per capita GDP of nearly US\$13 thousand in 2013. Kazakhstan's real GDP growth slowed from 6 percent in 2013 to 3.9 percent during the first half of 2014, due to internal capacity constraints in the oil industry, less favorable terms of trade, and an economic slowdown in Russia. The contribution of net exports to GDP growth improved materially followed by a sharp devaluation of the Kazakhstan tenge in February 2014, leading to a strong drop in imports of goods that became more costly. As a result of the devaluation, domestic inflation, as measured by the consumer price index CPI, increased from 4.8 percent year-on-year in December 2013 to 6.9 percent in August 2014, due to higher imported input prices.

Income growth in the country had a positive impact on poverty indicators, with prosperity shared broadly. The share of the Kazakhstan population living in poverty went down from 47 percent in 2001 to about 3 percent in 2013, as measured by the national poverty line. Similarly, at the international poverty line, as measured by the purchasing power parity PPP-corrected US\$2.50 per capita per day, poverty in Kazakhstan fell from 41 percent in 2001 to 4 percent in 2009. However, against a benchmark of a higher poverty line at the PPP-corrected US\$5 per capita per day which is more appropriate for countries with a higher level of income per capita, some 42 percent of Kazakhstan's population were still living in poverty in 2009, though

down from 79 percent in 2001. Kazakhstan's performance in the World Bank's indicator of shared prosperity also shows progress, with growth rate of consumption per capita of the bottom 40 percent of households of about 6 percent, while the average consumption growth for all households was about 5 percent during 2006-2010.

Trade policy will remain a central instrument to help the country integrate into the global economy, but Kazakhstan will face a complex trade policy environment in the medium-term. The economy is adjusting to the Eurasia Customs Union which it joined in 2010 and is pursuing an accelerated schedule of further integration into the Common Economic Space by 2015.

Education is a high priority for Kazakhstan, and in 2011, Kazakhstan ranked first on UNESCO's "Education for All Development Index" by achieving near-universal levels of primary education, adult literacy, and gender parity. These results have reflected Kazakhstan's efforts of expanding pre-school access and free, compulsory secondary education. For the next 10 years, Kazakhstan is embarking on further major reforms across all education levels.

Kazakhstan faces challenges in restructuring its healthcare system. The country's health outcomes lag behind its rapidly increasing income. The major causes of adult mortality are non-communicable diseases such as cancer, cardiovascular disease, other tobacco and alcohol-related diseases and injuries. The new State Health Care Development Program recognizes health as one of the country's major priorities and a pre-requisite for sustainable socioeconomic development.

Agriculture accounts for only 4.5 percent of GDP, but the sector continues to employ almost one-fourth of the working population and is critical to addressing poverty and food security, as well as providing an important avenue for diversification of the economy.

Looking forward, despite the short-term vulnerabilities accentuated by the uncertain regional economic outlook, Kazakhstan's medium-term prospects look promising. In the medium term, the economy will continue to grow on the back of the expanding oil sector, while growth of the non-oil economy will be lower due to lower domestic demand. In the longer run, Kazakhstan's development objective of joining the rank of the top 30 most developed countries by 2050 will depend on its ability to sustain balanced and inclusive growth. Enhancing medium- to long-term development prospects depends on Kazakhstan's success in diversifying its endowments, namely, creating highly skilled human capital, improving the quality of physical capital, and more importantly, strengthening institutional capital—all of the necessary ingredients for the development and expansion of the private sector in the country.

Source: World Bank



Kyrgyz Republic

According to tentative estimation by the National Statistical Committee of the Kyrgyz Republic for a reference period of January–December 2013, the volume of GDP has amounted to KGS 350.0 bln. KGS (Kyrgyz Soms) and actually increased by 10.5 percent against the decrease of 0.1 percent for the same period in 2012. The growth of real GDP has made up 105.8 percent, even without ‘Kumtor’ gold mining deposit enterprises; the same indicator made up 106.3 percent for the corresponding period of 2012. GDP deflator has recorded at the level of 102.0 percent.

Economic growth is recorded in all economic sectors with positive contribution estimated in agriculture at 0.5 percent, in industries – at 5.4 percent; in construction and building industries – at 0.8 percent; in sector of services – 2.5 percent.

Table 1: Structure and growth rates in sectors contributing to the GDP¹

Indicators	January–December 2012			January–December 2013			
	Actual (Mln KGS)	Rate of growth, (%)	% of GDP	Preliminary actual (mln KGS)	Rate of growth, (%)	% of GDP	Contribution to GDP growth
GDP	31,0471.3	99.9	100	350,028.4	110.5		10.5
Agriculture	51,688.5	101.2	16.7	53,156.5	102.9	15.2	0.48
Industry	48,753.9	79.2	15.7	56,323.6	134.5	16.1	5.41
Construction	20,166.3	129.7	6.5	23,644.5	112.4	6.8	0.80
Services	149,114.6	106.5	48.0	166,666.9	105.1	7.6	2.46
Net taxes on products	40,748.0	99.9	13.1	50,236.9	110.5	14.4	1.4

¹Темпы прироста приведены по ВДС

Industry: Industrial enterprises produced products for amount of 164.8 bln. KGS in 2013 thus production volume increased by 34,3 percent against 2012, mainly owing to almost double growth of production volumes of ‘Kumtor Gold Company’ JSC in January–December in the reference year as against same period of 2012. Without the ‘Kumtor’ deposit mining enterprises the production was amounted to 84.7 bln. KGS thus rate of real growth recorded at 103.5 percent.

High level of industrial production output is caused by the low base (72.8%) of industrial output volumes in January–December 2012, thus provided for the greatest positive contribution to the structure of GDP (5.4%) in the reference period i.e. January–December 2013 where the basic share belongs to production in processing industry.

In the processing industry production with its highest ratio/share (82.8%), production volume for the reference period i.e. January–December 2013 recorded at 136.5 bln. KGS also increased by 45.4 percent as against the corresponding period of 2012, mainly at the expense of production volume increase in:

- Metallurgical production and manufacture of final metal fabrics, where production really increased almost by 1.9 times;
- Production of the other non-metallic mineral products by 27.3 percent.

Considerable growth in the metallurgical production was due to restored production of ‘Kumtor’ deposit mining enterprises, which relative ratio/share in the industry continues to remain high, thus recorded as much as 48.6 percent in industry sector and 7.8 percent of GDP – ensuring the greatest positive contribution to the structure of GDP by making 5.1 percent share, as well as increase in production of ‘Kadamzhaisky antimony plant’ Public Limited Company (PLC).

The increase in production volumes of the other non-metallic mineral products (ratio in total industrial output – 8.5 percent) by 1.3 times was due to the excess of the last year's level of production for construction/building purposes: production of bricks, blocks for floors, bearing blocks and similar ceramic, non fire-resistant – by 19.8 percent, cement – by 35.3 percent; products from concrete, reinforced concrete for building purposes – by 1.9 times, plates and similar products from cement, concrete or artificial stone (pavestone blocks) – by 14,7 percent, and –blocks – by 23.9 percent, pre-engineered building designs from concrete – by 31.7 percent, building mortars – by 3.8 times, products from plaster, concrete or other – by 1.8 times, tiles, cubes and similar products; granules, crumb and powder artificial painted for mosaic works (shell limestone) – by 1.6 times, etc. In addition, owing to production volumes ramp up of ‘Interglass’ PLC, where production really grown by 1.8 times.

Likewise, positive growth rate within the processing industry has been recorded in wood processing and production of wood fabrics – by 24.5 percent; pulp–and–

paper manufacturing industry and publishing industry – by 12.0 percent; chemical industry – by 29.0 percent; manufacturing of rubber and plastic products – by 21.0 percent; production of vehicles and equipment – by 22.5 percent; leather manufacturing, leather products and footwear production – by 43.1 percent; manufacturing of electric equipment, electronic and optical equipment – by 3.4 percent.

However, it is necessary to note that from the beginning of the reference year (2013) production backlog recorded at 16.5 percent and still remains in textile and sewing productions with relative ratio/share in total general structure of the industry is 4.6 percent. The main reason of recession in production volumes is idleness of enterprises due to absence of purchasing orders (reduction of demand in Russian Federation for sewing production) and availability of imported goods in the market.

Decrease of growth rates also observed in production and distribution of electric power, gas and water (their relative ratio/share – 13.9 percent) in comparison with 2012. The production volume for 2013 was recorded 22.8 bln. KGS, index of physical volume made up 98.3 percent due to decrease in generation of electric power volumes by 5.6 percent, heat energy – by 8.7 percent, services in electric power distribution (without the cost of purchased electric power) – by 3.9 percent caused by approaching of shallow period and thereof reduction of the volumes of export deliveries with a view of preservation of water–power resources in the Toktogulsky water reservoir.

Electric power generation output in January–December 2013 made up 14,096.7 million kilowatt–hour against 14,830.4 million kilowatt–hour or 95.1 percent of the output in the similar period of 2012.

In the mining industry (relative ratio/share – 3.3 percent) production volume for January–December 2013 has made up 5.4 bln. KGS and decreased in comparison with the similar period of 2012, the index of physical volume made up 95.4 percent due to considerable cuts of metal ore extraction – by 32.6 percent (ore and gold–containing concentrates), granite, sandstone and stone for monuments or construction purposes – almost by 4 time and basalt – by 3.4 times.

At the same time, production volumes of coal, lignite and peat increased by 24.8 percent, natural gas – by 14.0 percent, marble and limestone rock for monuments or construction purposes – by 2.0 time, limestone and plaster – by 1.9 times, uncalcined dolomite for industrial use – by 24.3 percent, slate – by 25.9 percent, sand natural – by 19.7 percent, granules, crumb stone and powder stone, pebble, gravel, rubble or fragmented stone – by 2.0 times.

Agriculture: For the reported period of January–December 2013 agricultural gross output by all categories of the national economy in actual prices recorded at the

amount of 171.9 bln. KGS and in real terms increased by 2.9 percent, including crop production sector – by 4.9 percent (86.5 bln. KGS) and animal husbandry/livestock – by 1.0 percent (81.7 bln. KGS).

Positive contribution of agriculture to formation of GDP made up 0.5 percent and its relative ratio/share in the structure of GDP production was 15.2 percent.

Cultivation of vegetables has the main share in plant growing production (38.5 percent of the whole production) and its growth rate increased by 0.8 percent in comparison with the corresponding period of 2012. Potato growing increased by 1.5 percent (its ratio in the whole plant growing volume amounts to 20.1 percent), production of wheat increased by 1.5 times (ratio – 10.6 percent).

Construction sector: Recorded an increase of capital investments' growth. The volume of investments into fixed capital at the expense of all financial sources amounted to KGS 78.2 bln. for the reference period of January –December 2013 and has grown by 2.3 percent.

Growth of investments into fixed capital has been secured due to increase of construction volumes in mining and processing industry, trade, car repairs, household products and consumer goods, hotels and restaurants, operations in the real estate/immovable property sector, leasing and other services to consumers, public health services and social services, as well as housing construction.

Total output volume of construction sector for January–December 2013 recorded KGS 70.7 bln. thus increasing by 12.4 percent. The increase caused by growth of volumes of implemented contraction and other works as well as capital and maintenance repair of buildings and construction facilities.

Positive contribution of construction sector to GDP formation was 0.8 percent and its ratio in the structure of GDP production – 6.8 percent.

Services sector: Total yield of this sector for January–December 2013 recorded a volume of KGS 297.3 bln. with the ratio of real growth at 5.4 percent. Contribution to the sector's growth has been secured by trade activity where gain was recorded at 6.9 percent (contribution – 2.3 percent), transportation and communication services – at 5.8 percent and 19.5 percent accordingly (contribution – 0.6 percent and 1.8 percent accordingly). The positive contribution of this sector to GDP estimated at the level of 2.46 percent, which relative ratio in the structure of GDP is 47.6 percent.

Total trade output amounted to KGS 97.9 bln. and increased by 6.9 percent, in the structure of services recorded at 32.9 percent, thus volume of trade, car repairs, household products and consumer goods for January–December 2013 made KGS

325.8 bln., real growth rate has been recorded at 107.0 percent.

Total volume of transportation services has amounted to KGS 37.3 bln., real growth rate was 105.8 percent, thus volume of cargoes transported by all means of transport has grown by 2.9 percent. Growth of transportation volume of cargo by road transport was due to increase of transportation implemented by individual businessmen. The passenger transportation by all means of transport for the accounting period has grown by 2.5 percent.

Total volume of post and electrical communication services increased by 19.5 percent and amounted to KGS 25.8 bln. Growth was due to expansion of cellular communication services, access to the Internet, introduction of digital television; development of banking system and non-banking entities.

The consumer price index, which defines rate of inflation, recorded 104.0 percent in December 2013 against December of previous year. Mid-annual value of inflation for January-December 2013 against January-December 2012 has been recorded at 106.6 percent.

Table 2- Price index on consumer goods and services in the Kyrgyz Republic for January-December 2012-2013

	Share in consumer basket (%)	Jan-Dec 2013 to Jan-Dec 2012 (%)	Dec 2013 to Dec 2012 (%)	Dec 2012 to Dec 2011 (%)	Actual deviation of 2013 to 2012 (%)
Consumer price index on goods and services	100.0	106.6	104.0	107.5	-3.5
Goods	86.3	106.6	103.9	107.1	-3.2
Foodstuff and soft drinks	48.1	105.3	101.8	104.5	-2.7
Alcoholic drinks, tobacco products	9.2	110.7	107.3	110.2	-2.9
Non-food goods	28.9	107.4	106.3	109.8	-3.5
Services	13.7	106.8	104.3	109.8	-5.5

The increase in consumer prices for foodstuff and soft drinks (48.1 percent share in the consumer's basket) for the reference year has been recorded at 1.8 percent as against December 2012. The 'bakery products and groats' group has decrease in the price by 0.8 percent due to reduction of prices for flour wheat of higher and first grades by 0.6 percent and 3.4 percent accordingly.

Differently directed dynamics of prices for fruit-and-vegetable production was observed for the reference period, including increase in price for fruits by 25.2 percent and vegetables price reduction by 6.7 percent.

Continued an increase of consumer prices by for dairy products, cheese and eggs and at the end of a reference period recovered at 6.6 percent. At the same time, it was recorded a decrease in prices by 2.2 percent for 'oil and fat' consumer goods. There was an increase in prices for a number of products, in particular for meat by 7.6 percent and for soft drinks by 7.1 percent.

The increase in prices was recorded for alcoholic drinks and tobacco products (9.2 percent of specific share in consumer basket); prices hike made 7.3 percent including: alcoholic drinks for 7.3 percent and tobacco products for 7.5 percent, as against December 2012.

Consumer price index on non-foodstuff (with its share in the consumer basket – 28.9 percent) increased by 6.3 percent in 2013 against December 2012. Thus, it increased for clothes and footwear by 13.6 percent and for household goods and home appliances by 6.2 percent.

Tariffs for paid services (with its 13.7 percent share in the consumer basket) for the reference period have increased by 6.8 percent. The uplift in prices in the given group was due, mainly, to the increase of transportation costs by 3 percent, restaurant and hotel services by 3.9 percent and recreation and cultural services by 17.8 percent. Besides, the prices hike by 10.6 percent has been observed in the public health sector from the beginning of year and in education sector by 6.1 percent.

The foreign trade turnover of the Kyrgyz Republic amounted to 6,972.3 mln. USD for a period of January – November 2013 and increased by 8.7 percent as against the same period in 2012. The volume of export amounted to 1,548.1 mln USD and has exceeded by 8.1 percent the volume of export for the similar period of 2012 due to growth of gold export in 1.4 times. Without taking into account the gold export, overall export of goods from the Kyrgyz Republic has decreased by 5.4 percent for a period of January – November 2013 due to reduction of textiles and textile products export.

Import returns have increased by 8.9 percent thus amounting to 5,424.2 mln. USD, mainly due to import of plastic products and their derivatives (27.6%), chemical industry products and the related industries (by 15.0%), machinery, equipment and mechanisms (by 11.0%), mineral products (by 10.1%) as well as vehicles (by 9.6%).

Source: Country Report on economic performance of Kyrgyz Republic in 2013



Islamic Republic of Pakistan

The year 2013-14 started with formidable challenges like revival of economic growth, fiscal consolidation, and sustainability of balance of payments, dwindling foreign exchange reserves, and above all acuteness of energy outages. Initially, the economy remained confronted with endogenous and exogenous problems like persistent inflationary pressures and depreciation of exchange rate. The economy bounced back with relative stability in the latter half of the year; inflationary pressures receded, fiscal deficit remained well within the target, confidence in exchange rate management was restored with substantial Increase in foreign exchange reserves, stock market remained buoyant and regarded as the best performing g markets of the region, successful auction of 3G/4G license health growth in large-scale manufacturing unprecedented for the last 8 years and remittances bounced back from lows of last year.

Smooth political transition has provided impetus for improvement in enabling environment Consequently, GDP grew by 4.1 percent in 2013-14 against 3.7 percent of last year. The major impetus came from the industrial sector after a long time as large-scale manufacturing grew by 5.3 percent per Capita Income in dollar terms recorded a growth of 3.5 percent in 2013-14 as compared to 1.4 percent last year. The per capita Income In dollar terms has reached to 1,386 in 2013-14. The main factors, which are responsible for increase in per capita income, include acceleration in real GDP growth and relatively stable exchange rate.

Total investment has decreased to 14 percent of GDP in 2013-14 against 14.6 percent in the previous year primarily because of existence of huge Idle capacity in the economy. The private sector Investment declined from 9.6 percent of GDP in 2012-13 to 8.9 percent in 2013-14, Recently, the private sector has shown some appetite for working capital but long spells of power outages. Deteriorating law & order situation and other regulatory bottlenecks kept them shy of making investment. National Savings have adjusted downward to 12.9 percent of GDP in 2013-14 from 13.5 percent in 2012-13. The SBP decision to substantial easing of monetary policy last yea4r has not significantly impacted the investment climate suggesting that the problem lies with other determinants of investment. The government is working on betterment of enabling environment.

Fiscal adjustment was envisaged from 8.2 percent of GDP in 2012-13 to 6.3 percent of GDP in the current year and the overall fiscal deficit is likely to remain far below the budgeted target. FBR is able to reach closer to revised target of Rs.2,275 billion as its tax collection stood at Rs.2,265 billion which is 16 percent higher than last year's collection. Fiscal adjustment is achieved by applying better expenditure controls and unprecedented growth in non-tax revenues. The next 3 year is budgeted to.

M2 grew by 9.5 percent during July 01, 2013 to June 20, 2014 as against 127 percent in the corresponding period of last year. The contribution to monetary expansion of 9.5 percent came from NFA (3.7%) and NDA (5.6%), the period under review is unique as increase in the claims on private sector exceeded the amount of expansion of claims on the government. The net claims on the government has increased by Rs.284 billion whereas the claims on private sector increased by Rs.294 billion which demonstrate healthy development in monetary account after almost six years.

KSE-100 Index remained World's 5th best performing Index in 2013, which was up 49.4 percent (37% in US\$ terms) in 2013, beating all but four stock Indices in the world. It handily beat Morgan Stanley's MSCI emerging market index which remained essentially flat, By comparison, India's main stock index rose just 8.99 percent in the same period.

Consumer price index (CPI) inflation for 2013-14 was targeted at 8 percent but inflation increased by 8.6 percent in 2013-14 as against an increase of 7.6 percent in the comparable period. The surge in food inflation was more pronounced as it escalated by 9 percent in this period as against 7.1 percent in the previous year. The non-food inflation increased by 8.3% compared to 7.5 percent of last year in this period.

The current account deficit has deteriorated by almost US\$ 420 million (US\$ 2.6 billion as against US\$ 2.2 billion in the comparable period of last year). This worsening of the current account deficit is the culmination of slight upsurge in economic activity in the country on the one hand and adverse terms of trade shock on the other. The prime culprit for deterioration is burgeoning trade imbalance of 15 billion which is higher by US\$ 919 million over trade imbalance of US\$ 14.1 billion in the same period of last year. The imbalances of services sector added another \$748 million to this hefty amount. The current transfers tried to neutralize this deficit by throwing US\$ 1,462 million additional surplus in this period.

Trade deficit during the first ten months of this fiscal year deteriorated by US\$ 919 million as imports growth outpaced exports growing exports stood at US\$ 23 .1 billion in July-May 2013,14, which is higher by 1.3 percent over the last year's level. Imports stood – billion in July-May 2013-14 which implies growth

of 3.3 percent over last year's level of US\$ 36.9 billion. The exports of services have contracted by 20.8 percent owing to inflow of US\$ 1.8 billion reimbursement from Coalition Support Fund (CSF) in the last fiscal year.

Workers' remittances have continuously witnessed an increasing trend after a brief interval in the last year when it seemed that a saturation point had reached. Average growth in remittances over the period of last six years was 19 percent. While remittances reached US\$ 14.3 billion during July-May 2013-14 as against US\$ 12.8 billion the corresponding period of last year, thereby showing an increase of only 12.4 percent. Average monthly inflow of remittances was US\$ 1,179 million last year and increased to US\$ 1,290 million per month in the period July-May 2013-14.

Pakistan successfully tapped international capital markets after a gap of 7 years and raised US\$ 2 billion against the initial expectations of US\$ 500 million. This transaction represented the largest ever international bond offering for Pakistan.

The successful auction of 3G/4Q spectrum has opened the new avenues of socio economic development in the country. The auction for 3G/4G spectrum licenses were carried out in a transparent manner and the new technology is expected to generate 9 lac new jobs in the next four years along with other direct and indirect benefits.

The successful reviews by the IMF place greater confidence on the economy as after every review the IMF scaled up the projections of economic growth and adjusted downward its inflation forecast for the country. Like wise World Bank, Asian Development Bank, Islamic Development Bank and others have opened their windows to support the development, agenda of the present government with revival of program lending.

Public debt stock reached at Rs.15.5 trillion at the end of March, 2014, representing an increase of Re. 12 trillion or 8 percent higher with that of last fiscal year. The primary source of increase in public debt during first nine months of outgoing fiscal year was domestic debt that stood at Rs.10.8 trillion representing an increase of 14 percent over end June 2013.

The stage is set for economic revival in the next fiscal year. The industrial and services sector will steer the economy to higher growth trajectory whereas the agriculture sector will continue its lower growth in the short-run. Unless major changes in cultivation techniques occur to pave way for bridging the yield gap between conventional and progressive farmers better fiscal discipline, sustainable balance of payments, stable exchange rate, improving availability, better governance and meaningful monitoring of economic activity will help in boosting economic growth in 2014-15.

Prospects for 2014-15

The growth of GDP for 2014-15 is targeted at 5.1 percent with contributions from agriculture (3.3%), industry (6.8%) and services (5.2%). Nominal GDP is targeted to grow by 13.5 percent and GNP per capita is projected at Rs. 161,063. The underlying assumption for inflation is 8 percent which is consistent with fiscal prudence, stable exchange rate and responsive monetary policy. The circular debt was cleared temporarily without addressing structural issues in June, 2013 which had some positive implications for the economy in the short-run. However, it needs to be resolved permanently, so that it does not impede the growth momentum. Council of Common Interest (CCI) has devised strategy to mitigate this debt.

Savings and investment: the investment has been targeted to improve from current level of 14 percent of GDP to 15.7. The increase in investment will primarily be contributed by the private sector while public sector will continue to support the private sector. Fixed investment will inch up from 12.4 percent to 14.1 percent of GDP. Foreign direct investment (FDI) net inflow has decreased substantially from US\$ 5.4 billion in 2007-08 to just US\$ 654 million in July-April, 2013-14, which is 2.4 percent lower than the meagre US\$ 670 million in the corresponding period of last year. The peculiar security environment and power sector bottlenecks were impending factors. With expected gradual improvement in the security environment and power sector, the FDI will improve significantly. The entrepreneurship and innovation re important interventions of Vision 2025 and they are likely to boost private Investment in the country. Inadequacy of national savings to finance investment has always led to increase dependence on foreign savings. However, national savings are expected to improve from 12.8 percent of GDP in 2013-14 to 14.2 percent in 2014-15.

Fiscal Policy: Fiscal policy during 2014-15 will build upon the gains of the current fiscal year and will focus on catalyzing economic growth, ensuring fiscal prudence, curtailing the fiscal deficit by mobilizing more revenues, controlling current spending switching to through more targeted subsidies and prioritizing development spending for critical sectors for realizing the stated objective. Growth prospects are dampened by the presence of loss-making public sector enterprises (PSE) which is drain on the budget and are creating distortion in the economy.

Monetary Policy: The strategic thrust of the monetary policy during 2014-15 envisages price stability and support to economic growth by improving implementation of monetary policy and the operation framework. Monetary expansion for the year 2014-15 will be in line with the projected GDP growth of 5.1 percent and the inflation at 8 percent to keep M2 growth in the vicinity of the targeted level and to encourage private sector credit.

Inflation: Inflation has increased to 8.7 percent during July-April 2013-14 from 7.8 percent in the same period of last year. Inflation in 2013-14 is likely to be around 8.5-8.8 percent. In view of the rationalization of subsidies, monetary overhand and rising demand, inflation for 2014-15 is projected at 8 percent.

Balance of payment: The outlook for 2014-15 regarding trade balance is encouraging due to the optimism prevailing on account of better availability of energy supply coupled with high targets set In Strategic Trade Policy Framework 2012-15. Hence a sustainable and growth supportive balance of payments is envisaged.

Exports for 2014-15 are projected to grow by 5.8 percent to US\$ 27 billion from US\$ 25.5 billion estimated for 2013-14. Imports during 2014-15 are projected to increase by 6.2 percent to US\$ 44.2 billion from US\$ 4.6 billion estimated for 2013-14. Hence, the trade balance is projected to be in deficit by US\$ 17.2 billion in 2014-15. The current account is projected to be in deficit by US\$ 2.8 billion 2014-15 (1.1 percent of GDP) as against a deficit of US\$ 2.6 billion (1.0 percent of GDP) estimated for 2013-14.

Source: Country Report on economic performance of the Islamic Republic of Pakistan in 2013



Republic of Tajikistan

Tajikistan's economic growth moderated to 6.7 percent in the first half of 2014 from 7.5 percent a year earlier as activity slowed in almost all sectors. Weaker world economic growth and lower prices for cotton and aluminum adversely affected the major export-oriented industries, pushing total industrial growth below 3 percent from nearly 7 percent a year earlier. Lower inflows of remittances due to the slowdown in Russia have translated into lower domestic demand and slower growth in services and housing construction. Though growth in agricultural output also moderated due to heavy rains and low temperatures, it was still a healthy 6 percent.

GDP growth is projected to ease to 6.5 percent in 2014 because of the spillover effect from the slowdown in Russia and in export sales. A Russian slowdown affects

Tajikistan largely through the remittances channel. A slackening in remittances weighs heavily on household demand, notably demand for services and housing construction.

The main risks to the near-term outlook relate to serious vulnerabilities and governance issues in the financial sector, fiscal risks from state-owned enterprises SOEs, a slower recovery in the prices of aluminum and cotton, and a further slowdown in activity in Tajikistan's main trading partners. The main transmission channels through which adverse exogenous shocks could impact the Tajikistan economy are remittances partly because migrants may return and external trade. Reinforcing fiscal and external buffers will be critical to mitigate the impact of external shocks, particularly in light of the Tajikistan's strong links with Russia and such other trading partners as Kazakhstan, Turkey, and China. In the near term, prudent macroeconomic policies, such as greater exchange rate flexibility, could help the country absorb any shocks.

Over the medium term, prudent macroeconomic management and structural reforms directed to diversification and better integration into global and regional markets would create more economic opportunities and reduce Tajikistan's vulnerability to shocks. Investing in human and institutional capital would support productivity improvements and job creation and speed the transition to a more sustainable growth model.

Responsible for 46.5 percent of total employment and 21 percent of GDP, the agricultural sector in Tajikistan offers a solid foundation for economic development. The Government displays a strong commitment to the ongoing agricultural reform, although the pace of implementation must be accelerated to secure the productivity gains that Tajikistan needs to improve the agricultural growth rate. Tajikistan is also faced with a young and rapidly growing population. Recent estimates show that 40 percent of the population in Tajikistan is under the age of 17, making improved public services in social sectors education, health, and social protection, as well as job creation, imperative components of Government's Poverty Reduction Strategy.

Tajikistan's biggest challenge in the coming years will be lifting its low rates of private investment. According to latest estimates, the private investment has stagnated at around 5 percent of GDP. The Government's strategy has made removing binding constraints to private sector development a key priority to foster economic growth, and several key achievements have been made to date. In addition, implementation of the Extractive Industries Transparency Initiative has also been high on the Government's agenda, to capitalize on Tajikistan's comparative advantage in mining. Yet, the development of the private sector and the appropriate legal framework for its growth remain a work in progress, and their successful realization is critical to help the Government achieve its ambitious growth targets.

Source: World Bank



Republic of Turkey

The role of Turkey in the regional economic development of ECO is central. This is justified by many factors. One of them is Turkey's lead in regional trade that has accounted to 41 percent of ECO' gross external trade volumes. During 2013 Turkey has significantly increased its trading with Kyrgyzstan, Turkmenistan, Uzbekistan and Tajikistan.

Turkey's key role in ECO trade had evolved from the country's strong economic footing amongst world's large economies. In the European zone, Turkey has recorded 6th largest in size of GDP in 2013, first in ECO. It was recorded 17th largest in world economy in 2013. The country's 2013 exports have raised by 0.4 percent, promoting the economy's position to world's 32nd largest trader in 2013. Turkey has gained a momentum in its real GDP's growth in 2013 to 4.1 from 2.1 percent in 2012. The main drivers of growth in 2013 have been consumption and government expenditures. In 2013, consumption and government expenditure have increased by 1 percent and 6.2 percent respectively when compared with previous year. On the other hand, Turkey's partner countries in Europe, has not shown a significant recovery during 2013. To this end, the GOP of the EU remained constant without any growth.

Notwithstanding grim external macroeconomic factors that have adversely influenced Turkey's economic performance during 2013, the government has skilfully steered the social standing of the country towards more sustainable living standards. Thus, the real GDP per capita rose to US\$ 10,507 against US\$ 10,459 in 2012 during 2013.

On macroeconomics, the overall volume of GDP reached US\$ 822 billion accounting to major part of GDP volume of the region. During 2013, the share of industries in the structure of Turkey's GDP has reduced by 0.2 percentage point to register 23.6 percent of GDP compared to 2012. Services have expanded.

Turkey's economic partners' failure to offset their liabilities on most pressing clauses of Turkey's current accounts has increased vulnerability of the economy against external capital risks. The current account deficit showed a significant increase in its levels to 7.9 from 6.2 percent of GDP, compared to 2012 levels. On the other side of

the spectrum, re-assessment of systemic risks, associated with capital assets in world's most advanced and rapidly developing economies, has added to somewhat lower than expected performance on Turkey's current accounts during 2013. Added to this, foreign direct investments fell to US\$12.9 billion from US\$13.2 billion in 2013.

Luckily, the ratio of budget deficit to GDP has contracted to 1.2 percent from 2.1 percent in 2013, lower public debt levels have helped solidify investor confidence inside the economy as well as outside it.

Inflation posed a serious challenge. The consumer price index rose to 7.4 percent from 6.2 percent in 2013. Rising inflation has dragged higher unemployment of which the annual rate rose to 9.0 percent from 8.2 percent in 2013. By 0.2 percentage point to settle down at 57.7 percent. The share of agriculture has decreased by 0.5 percentage point to register 7.4 percent of GDP during 2013.

Turkey's external trade reached US\$ 403.9 billion of which 4.4 percent accounted to intra-regional trade with ECO. The overall external trade volumes have increased by 3.6 percent Increase in intra-regional trade flows in ECO to US\$ 17.9 billion has marked a 7.8 percent increase in trading with ECO, compared to 2012.

In energy, similar to a large ECO partner economy, Pakistan, Turkey largely imports fossil fuels. In 2013, crude oil reserves have been registered at 43.1 million tons and natural gas at 5.4 billion cubic meters. As with Turkey's population at over 76.7 million, the overall demand for petroleum increased by 8.6 percent in the reported year, reaching 33.9 million tons of oil equivalent (toe) in volumes demanded.

The forecast for future growth in the increasing demand has been estimated at 218 million toe by the year 2023, almost double the amount in demand during 2012. To meet the needs of the increasing future consumption, the focus of Turkey's national economic strategy on energy efficiency has foreseen 30 percent of future energy supplies to come from renewable sources, the remaining 35 percent from coal, 30 percent from natural gas and 5 percent from nuclear power. The target on clean energy has, in particular, been set on methane capturing from coal reserves, among other technologies.

The total of 240,154 GW gross electricity has been generated in 2013 but electricity consumption was 246.356 GW, leaving 6.2 GW short of production. On the other hand, electricity generation from hydro realized as 59.4 GW which is far below its potential. Therefore, Turkey has a strong interest in intra-regional energy cooperation in ECO, to promote private investments in new hydroelectric energy projects, including in construction of small hydropower plants. Already in 2013, the share of private sector in electricity generation rose to 66.7 percent in the economy.

Consumption of natural gas has made 45.6 billion cubic meters in 2013. Nearly half of consumption went to electricity production. Oil & gas explorations have ever been costly. In 2013 Turkish Petroleum Corporation (TP) expended \$1.18 billion for domestic and foreign oil & gas exploration, drilling and production activities. Transit and storage capacities of Turkey as a sea harbour, have for all times been effectively utilized, given that almost 70 percent of world's oil and gas reserves is in close proximity of Turkey's territory- In the Tehran Declaration-2009, the stakeholders welcomed the proposal offered to all ECO member states to actively utilize storage facilities in ECO regional sea ports, including Istanbul (Turkey), Chabahar (Iran), and Gwadar (Pakistan) for diverse types of tradable commodities, including tradable Energy products. The opportunities in the regional energy sector for ECO economies are enormous, given the global scale of the existing energy potentials in the regional countries.

In transport, Turkey has achieved significant milestones. The sector has provided employment to 1.4 million people over the reported year. In 2013, the country's railway network registered 12,097 kilometres, in total. The perspective in this sector is to expand further to 25,940 kilometres by 2023 by almost twofold, at the back of projected investments of US\$60 billion in this sector.

Source: Country Report on economic performance of the Republic of Turkey in 2013



Turkmenistan

Turkmenistan's real GDP growth in the first half of 2013 reached 9.4 percent. The rate of industrial growth amounted to 6.6 percent, the construction sector's growth to 17.7 percent, the service sector's growth to 11.3 percent, and agricultural growth amounted to 7 percent. Significant growth in the construction industry is reflected in the fact that currently some 1865 facilities are being built in the country, with capital investments exceeding US\$ 41 billion. Of this amount, national construction companies are spending US\$ 13 billion.

Turkmenistan's economy is growing especially thanks to gas exports, but there are still critical issues for a country that has only recently launched significant reforms, welcomed by international bodies such as the IMF.

A progression, according to observers, that is due, above all, to the hydrocarbons sector and to significant public and foreign investments, which, in recent years, are a feature of this sector.

The IMF is concerned that a sharp and consistent fall in international energy prices would put the economic growth of the country seriously at risk. In addition, an easing of relations with the main trading partners, like China and Russia, could bring further risks. According to the data from the United Nations Conference on Trade and Development UNCTAD the main investors in Turkmenistan in 2012 were precisely China, Turkey and Russia, coincidentally the countries that have strong interests in the energy sector of hydrocarbons.

Research and exploration for gas and oil have a direct impact on the sector of infrastructures and construction, which is expanding greatly, as signs of growth in the sectors of chemicals, oil derivatives, textiles and cotton demonstrate.

In Turkmenistan, only 25 percent of economic activities are private; the development of small and medium-sized enterprises is still very restricted. At the end of 2012, President Berdymukhamedov announced a privatization plan from 2013 to 2016, for all economic activities except those relating to hydrocarbons, which remain firmly in public hands. It is worth remembering the battle against money laundering and the boost for growth of private and foreign investments. With regard to this news, at the beginning of the year President Berdymukhamedov announced a real revolution for Turkmenistan citizens: the state will no longer provide water, electricity and gas, which citizens have not been paying for since 1993, free of charge. According to the government, this should push citizens toward more efficient energy consumption. Providing gas free of charge alone was costing the state coffers \$5 billion per year.

Source: World Bank



Republic of Uzbekistan

As 2013 came to an end, the economy of Uzbekistan reportedly finished strong. Industrial manufacturing output and exports saw a boost. Moreover, the Oliy Majlis, the parliament of Uzbekistan, approved a program to create nearly a million places of work in 2014. In his Constitution Day speech, the president of Uzbekistan—Islam Karimov—talked about the country’s economic achievements of 2013 and gave a rare tally of the increased number of cars, refrigerators, televisions, and cell phones each household in the country now owns.

Uzbekistan’s official economic indicators for the past year have been quite positive. The State Budget Committee’s review for the last nine months of 2013 reported that, along with an 8.1 percent increase in GDP the International Monetary Fund had estimated 7 percent, the growth in construction in Uzbekistan constituted 19.2 percent, industrial production 9.4 percent, and agricultural products 6.8 percent. Mechanical engineering and the metal-working industry, consumer goods manufacturing, construction materials as well as the food industry grew the fastest, and their share in the country’s GDP increased from 47.4 percent to 51.4 percent compared to 2012. Two thousand two hundred manufacturing entities introduced in 2013 contributed to the increase.

Predicting the continuation of investment programs and stable economic growth, the Oliy Majlis approved a government program to create 983,600 jobs mainly for young people, women, the disabled and other vulnerable members of the population in 2014. The state-sponsored job program will include the introduction of new industrial facilities as well as the modernization of existing ones; the development of small businesses; an expansion of services, communications and housing construction; the enhancement of work-from-home businesses; and restoration of inactive enterprises.

According to a recent report, along with building schools, medical facilities, and other infrastructure, 11,000 houses will be built in rural areas in 2014 by a presidential decree, up from 10,000 planned in 2013. This US\$ 2.2 billion program of rural housing construction has contributed to erecting an average of 6,000 houses per year since 2009 and will end in 2015.

The State Budget Committee's review also added that the country had a positive trade balance in 2013, with a boost in exports and expansion to new foreign markets. The prime minister of Uzbekistan predicted even higher volumes of exports for his country in 2014 and beyond. While chairing the November 2013 meeting in Tashkent of the Council of Heads of Government of the Shanghai Cooperation Organization (SCO) member states, the prime minister urged the SCO members to sign, as soon as possible, an agreement on creating favourable conditions for international road transport across the borders of the SCO. The agreement had been awaiting signature for ten years.

That same month, during a visit from Turkmenistan's President Gurbanguly Berdimuhamedov to Tashkent, the parties indicated the importance and strategic character of implementing an "Uzbekistan-Turkmenistan-Iran-Oman" transportation corridor, a visible sign that Uzbekistan is actively seeking access options to international markets.

On December 8, while delivering his annual Constitution Day speech, President Karimov gave unusually specific statistics to indicate the improved quality of life of Uzbekistan's population. In particular, he noted that every third family in Uzbekistan has a car; for every 100 families, there are 80 refrigerators and 146 TV units; Uzbekistan's population boasts three cell phones per family; and the number of internet service users has increased this past year by 18.3 percent to a total 7.1 million subscribers. Moreover, recent announcement claimed that about 77 new recreational parks will be built and old ones renovated in 2014 shows that the government is working on recreational and leisure issues along with economic issues.

The International Monetary Fund predicts Uzbekistan's GDP will grow in 2014 by 6.5 percent; the Asian Development Bank predicts 8-percent growth; and official government forecasts put next year's economic expansion at 8.1 percent. The government, in particular, predicts a boost in capital investment by 9.5 percent, industrial production by 8.3 percent, and agricultural production by 6 percent. Thus, whether by 6.5 or 8.1 percent, Uzbekistan's economy is set to grow.

Source: World Bank

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