

Statement by the President (Dr.Hossein Ghazavi)
of the ECO Trade and Development Bank
IRAN INVESTMENT SUMMIT
Tehran-I.R. of Iran – (23-24November 2011)

Mr. Chairman,
Excellencies,
Distinguished Guests,
Ladies and Gentlemen,

On behalf of the ECO Trade and Development Bank, I would like to express my profound gratitude to the OIETAI for the kind invitation extended to us to participate at this important summit. This event is indeed organized to explore the challenges and identify promising approaches to address the development and investment needs of Iran, which is one of the founding member and major shareholder of the ECO Bank. Events such as this one are particularly valuable during these difficult and challenging economic times that investors think carefully in entering into new businesses to exploit opportunities. Therefore, I am confident that this summit will provide ample guidance and confidence to investors in concluding fruitful business decisions.

Distinguished Guests,

Before presenting the details of our activities, I'd like to share with you some information about the Multilateral Development Banks (MDBs). Today, there are about 25 MDBs operating around the world. Their total asset size is estimated to be around US\$ 1.5 trillion. The oldest MDB and the largest in terms of number of shareholders is the IBRD, which is known as World Bank.

The MDBs are speeding up their annual lending volume and financial innovation to play a key role in support of their member countries. Besides the developing countries, the developed countries are now looking to be among the beneficiaries of MDBs resources. In order to meet the growing demand, the MDBs are making unprecedented efforts and strain their respective limits and mandates to mobilize all available resources. By the end of 2010, their total outstanding loans are estimated to surpass US\$ 900 billion. Shareholders are taking critical decisions to increase capital base of MDBs to enable them to further improve their lending capacities.

Distinguished Guests,

The ECO Bank has successfully started its operations in 2008. It is the youngest regional MDB in the world. The current shareholders are the three founding members of Economic Cooperation Organization (ECO) namely Turkey, Pakistan and Iran. The other ECO countries including Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan are expected to join the Bank in the coming years. Indeed we are at the stage of finalizing the admission procedures for the membership of Afghanistan and Azerbaijan.

The authorized capital of the Bank is 1 billion SDR (aprx. 1.56 billion US\$) and initial paid-in capital is 300million SDR (aprx. US\$ 470million).It is true that we have a modest capital size compare to other MDBs and even to some commercial banks. However, as per the business practices of other MDBs, this Bank has the potential to mobilize resources in international capital markets. Through employing this capability and support from ECO member states, we have been intensifying resources for expanding our funding power. The main purpose of the Bank is to expand intra-regional trade and accelerate economic development in the ECO region by providing financial facilities to private and public sector.

Dear Guests,

The operation focus of this Bank is the ECO region, which is vast about 8 million square kilometers (twice the size of European Union) and populated with more than 400 million inhabitants. With an aggregate GDP exceeding US\$ 1.5 trillion and the global trade of US\$ 680 billion in 2010, the countries in the region possesses a considerable dynamic business market.

Moreover, endowed with huge human and natural resources, the region is well placed to emerge as a significant regional block and assume its rightful place in the global economy. Geographical proximity, Common social and cultural characteristics, and diversity in economic structures, all combine to make up a strong case for promoting investment in the region. The untapped economic potentials offer considerable return for generous investments. The economies in the region, particularly Turkey, Iran, Pakistan, Azerbaijan and Kazakhstan have been identified among the largest potential developers in the world economy in this decade and beyond. The regional economies are expected to experience rising productivity coupled with favorable

demographics and as a result experience a faster growth rate than the world average going forward. Parallel to this trend, participation to global trade and investment inflows into the region is increasing. However, we must be patient in this region in realizing ultimate business goals. The investment perspective and business development architecture demand devotion, mutual benefits and giving up short term, narrow dividends in favour of long term, wider interests. In this respect, the Bank is ready to be a reliable partner for the potential investors and business circles to take the advantage of entering to such strategic market.

Dear Guests,

In view of the fact that the focus on this region has been growing, the ECO Bank would like to make a fundamental contribution to this process. We aim to be a key player in bringing a fresh impetus to the regional cooperation. Within this perspective, the total amount of loans disbursed by the Bank ascended to about US\$ 456 mln by the end of October 2011. I would like to underline that the Bank has been able to achieve sound financial ratios without registering any non-performing loan in its portfolio. Overall, the Bank ensures firm adherence to sound banking principles and practices which is evident from its present robust financial position. The representative offices of the Bank in Tehran (Iran) and Karachi (Pakistan) are fully functional and are playing an effective role to identify and understand the local economic dynamics and investment requirements.

The Bank offers a range of medium-to-longterm loans directly or through financial intermediaries to private and state owned entities. The important point here is being “relative” and “additional” to the development efforts of our member states. We deliver a strategic agenda through demand based, country-owned, and results-oriented partnership strategies and related technically viable programs of assistance. The Country Partnership Strategies (CPSs) prepared by the Bank, define the strategic approach in each member country. In this context, sectors such as infrastructure, manufacturing, agriculture, energy, transport and communications, which have potential impact on the development of the member states, are given special attention. In addition, the cross-country operations involving or indirectly benefiting several regional countries are in our targets.

We have been able to establish a network of about 28 partner Financial Intermediaries (FIs) in the region and a total amount of US\$ 700 million credit lines has been activated. Through, this network we are offering short and medium-term loans to finance trade transactions and support the financing needs of the Small and Medium Sized Enterprises (SMEs). The Bank is committed to support SMEs and entrepreneurs. As many of you are aware, SMEs are playing important role in fueling economic development in the region. They often offer a level of agility in bringing innovative products and expanding job opportunities. So far, the total amount disbursed under SME finance programme reached to US\$ 122 million, which have been benefitted by over 400 SMEs for their investment and working capital requirements.

On the other hand, trade finance is a distinct core business of this Bank. The economies of the region are far from harnessing trade potentials. We believe that if fully capitalized, the region actually offers a potential of US\$ 320 billions of intra-regional trade. This implies that economies of the region annually suffer to the tune of over US\$ 280 billion on account of untapped trade potential. It is an amazing figure and an eye opener for us to work hard for adopting appropriate measures to improve the intra-regional trade and investment. Let me highlight that the share of intra-trade in OIC countries is 17%, in ASEAN is 24% and in EU is almost 70%. The present levels of 6% intra-regional trade in the ECO region have to shift to the initial target level of 20% in the next 4 years. In this respect we have launched a comprehensive trade finance programme. Under this facility, while we finance exports to all destinations, import finance is limited to those goods produced by the ECO member states. The total amount disbursed through this programme so far amounted to US\$ 124 million. However, we are entering into new agreements and introducing mechanism for achieving more shares in financing regional trade.

Distinguished Guests,

The other operations of the Bank are focused on corporate and project financing. The investment needs of corporate firms and public sector entities are catered by direct lending from the Bank. In corporate finance, the total amount of approvals reached to US\$ 360 million by the end of October 2011. Facilities provided to energy supply project in Pakistan, metro project in Turkey and irrigation and wastewater system projects in Iran are among the eminent examples under this section. The Bank has been able to establish a robust pipeline of projects and total commitments in this segment are expected to increase in

the future. Finalization of co-financing arrangements being carried out with relevant MDBs such Islamic Development Bank (IsDB), International Finance Corporation (IFC) and Asian Development Bank (ADB) would be a factor in improving our portfolio. In this respect, let me inform you that we are about to finalize a co-finance deal with relevant partners regarding a Wind Power Plant project in Pakistan.

In short, I would like to emphasize that we plan to introduce new facilities and programmes to improve our activities. We are also working to obtain a favourable credit rating to mobilize necessary resources and further develop our portfolio. Let me highlight that within a very short period of time, the Bank finds itself on firm footing. It is now confidently stretching its operations to improve and maximize development contribution.

Distinguished participants,

I would like to underline that over the last decade, the global economy has been undergoing profound changes. Particularly, the current global crisis has led fundamental change in the investment perspectives. Weaknesses in major economies, volatility in financial and currency markets, surge in commodity prices and sovereign debt issues pose important risks to global growth. Adoption to new global economic governance, market dynamics, institutional and policy shifts would be factor in building future business models and partners. The gravity of world economic growth is shifting towards to developing countries in the east. It is estimated that by 2030, developing countries will account for nearly 60 percent of world GDP. New window of opportunities are opening up for the business. At this point, the ECO region would be receiving further attention. The reasons for investing in the region are becoming more important. This imposes a heavy load of homework for regional countries as well. Primarily, improvement of business environment, infrastructure as well as regulatory frameworks needs to be further intensified. Increasing investment in new technologies, innovation, R&D and human capital would ensure the sustainable improvement of efficiency and competitiveness of the regional economies. Similarly, convergence to higher levels of prosperity requires promotion of private sector development. This region would be a dynamic and stronger segment of the global supply chain.

In light of these perspectives, I would like to reiterate the goal of this Bank to become a premier development institution in the region. In this respect, the Bank is committed and ready to

cooperate with investors and entrepreneurs to expand intra-regional trade and accelerate economic development of our member countries. I hope ever one can benefit from the sharing of experiences and the networking opportunities provided by this Summit. I wish you all a successful and fruitful meeting.

Thank you for your kind attention.
