

STATEMENT

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THE 18TH MEETING OF THE BOARD OF GOVERNORS OF ECO TRADE
& DEVELOPMENT BANK

(JULY 04, 2019 –ISTANBUL, TURKEY)

**Distinguished Governors,
Honorable President, H.E. Mr. Javaid Aslam
Respected Participants,**

At the outset, allow me to express my profound thanks to the President H.E. Mr. Javaid Aslam for inviting me. It is a great opportunity for me to address this august meeting inaugurated today in the beautiful city of Istanbul. I am confident that the decisions to be taken and deliberations to be made under able guidance of the 18th Meeting of BOG today will expand the outreach and financing capacity of the Bank. Also, I would like to express gratitude and appreciation to the Bank for the warm welcome, generous hospitality and excellent arrangements made for the Meeting.

On behalf of ECO, I am congratulating the Management of the Bank for financing some priority projects and supporting financing needs of both public and private sectors in the priority fields of the economies of the Member States.

I would like to express my appreciation to the Bank and to the BOG for the preparation and approval of the Business Plan for 2018-2022 that has given the most appropriate guidance to the Bank to achieve its mandate. Main institutional targets emphasized in the Plan

to be focused during its implementation are crucial in promoting the activities of the Bank, indeed. Within 5 year period, the target of average 2.8% annual growth rate of funding capacity, the projections of the total outstanding loans to reach SDR 406 million and the total reserves including retained earnings to reach SDR 121 million are commendable. The ECO Secretariat will be ready to support the Bank to help it secure its targets as well as projections underlined in the Business Plan.

Distinguished Governors, Mr. President

1-Cooperation between the Bank and the ECO Secretariat to support the economic development of the region is our priority and it will be a permanent agenda of both organizations. Having this understanding, I held a meeting with the President of the Bank, H.E. Javaid Aslam on November 11, 2018 in the Secretariat's premises and another meeting on April 01, 2019 at the Headquarters of the Bank. H. E. the President may brief you on the outcomes if considers it appropriate. The Bank also actively participated in the 29th annual Meeting of the ECO Regional Planning Council held on December 17-20, 2018 in Tehran and contributed to the deliberations made and decisions taken by the Council.

Excellencies;

2- Allow me to share with you on the latest developments and approaches that ECO is focusing based on the outcome of 13th ECO

Islamabad Summit (2017) and 23rd Meeting of the ECO Council of Ministers, Dushanbe (2018).

From the very beginning of this year, the ECO Secretariat approaches included the followings:

- i) implementation of ECO Vision-2025 through project-oriented approach;
- ii) enhancing financial system of ECO and addressing emerging financial environment of our region;
- iii) reforming and improving efficiency of our organization and harmonizing the activities of the Secretariat with its ECO affiliated organs, regional institutions and specialized agencies;
- iv) focusing on the operationalization and commercialization of prioritized ECO corridor;
- v) addressing challenges of inter-regional trade, enhancing connectivity and propose ECO economic corridors along with existing ECO transit-transport corridors and;
- vi) creation of tourism chain activities in the region and so on.

All of the aforesaid approaches might have the relevancy to ECO-TDB and its activities.

3- Let me also to share with you some details of the two of these approaches:

Promotion of financial system of the region is essential; we should admit that ECO financial system is weak. ECO Trade and

Development Bank is functional but it is not broad-based and its capital is very much limited. The economies and the people of the region need much more financial facilities to be appropriately benefitted;

TO address this issue, the ECO Member States this year came up with three proposals to initiate improving the situation namely: establishment of the ECO Vision Fund, Creation of ECO Clearing Union and Expansion of the Mandate and capacity of the ECO Bank.

Dear Governors, Mr. President

- The 22nd ECO Council of Ministers (COM) and the 13th Summit Meetings held in 2017 in Pakistan adopted the ECO Vision-2025 and decided on establishment of an ECO Vision Fund to provide financial support for implementation of the ECO priority projects.

The 23rd Meeting of ECO Council of Ministers (COM) held in Dushanbe in 2018 and the 236th Meeting of ECO Council of Permanent Representatives (CPR) tasked the ECO Secretariat to develop the structure and modalities of this Fund in collaboration with the ECO Bank.

We agreed with the Bank that a professional study may be conducted by hiring a consultant from one of the ECO Member States with financial assistance of the Bank to develop a structure and modalities on forming the ECO Vision Fund.

- With regard to ECU, Decision making organs of ECO, the Council of Permanent Representatives (CPR) in its 233th Meeting

(September 11, 2018) mandated the Secretariat to explore the possibility of forming an ECO Clearing Union. Forming ECO Clearing Union will mainly aim to facilitate settlement of payments for current international transactions, promote the use of local currencies in current transactions so as to expand trade and economic activity among the countries of the region and provide for currency swap arrangement among the participants. The Secretariat is in the process of hiring a professional consultant to conduct a study to explore the possibility of forming ECO Clearing Union. Part of the study requires consultation with and cooperation of the Bank. The result will be reported to the upcoming meeting of the ECO Heads of Central Banks.

- On the need to expand mandate, membership and capacities of the ECO-TDB, I would like to share with you some of my thoughts. As you are aware, cooperation between the ECO Secretariat and the Bank is critical for promoting the agenda of our organization. Secretariat and the Bank are believed to be the two arms of the body. Having the legitimacy from ECO and its Member States, the Bank is the financial arm of organization. The Bank established to enhance the financial interactions and activities among the Member States. It certainly needs the organization's moral and political support. To achieve this, the Member States need to be convinced that ECO Bank is the proper financial tool for their development and accelerate financial activities. In this regard, the cooperation between the Bank and ECO Secretariat is essential. The Bank may provide the Member

States with relevant argument about its role in the region and the ECO Secretariat may provide it with political support for such argument. The Bank may prove to the Member States that it is a viable financial institution and is able to reduce financial fraction of the region. The Bank may also prove that it is the proper regional instrument for raising fund and supporting implementation of regional projects which are included in ECO programs and approved by the decision making organs. i.e. ECO Summit, the Council of Ministers and the Council of Permanent Representatives. It may also be needed to prove to Member States that the Bank is not simple instrument that collecting capitals from its members and giving them back in a simple loan without added value. By this we may encourage the existing member of the bank to increase the capital of the Bank and convince the remaining MSs to joint.

The working relationship between the Secretariat and the Bank is also important. We are ready to provide the Bank with support and justification to expand its membership base and increasing its capital. At the same time, the Bank may allocate some of its reserves in the form of grant for the conduction of ECO feasibility studies and consultancy services as well as implementing capacity building projects, especially when the Secretariat faces financial constraints. This is a justified hope from our esteemed Bank when we recall that other international banks/organizations like IDB, ADB, UNIDO, UNESCP, etc. have also been supporting the ECO feasibility studies

and capacity building projects and ask us about on the contribution of our own bank.

- In order to strengthen the role of the Bank in supporting the development of the economies of the Member States, the CPR mandated the ECO Secretariat to work closely with the Bank. In this regard, The 233rd Meeting of the CPR desired the Secretariat to explore the possibilities of expanding the mandate of the Bank. The 236th Meeting of CPR held on February 04, 2019 approved/agreed that the Secretariat may convey the following activities for consideration of the Bank;

- Working on and finalizing a mechanism for the Bank to provide loan for financing/co-financing of joint ECO regional projects;
- Organizing the first ECO Regional Partnership (RPF) on the theme of Regional Investment Forum;
- Voluntary contribution of the ETDB to the regional projects from its profit; and

- The three aforesaid initiatives, establishment of the ECO Vision Fund, Creation of ECO Clearing Union and Expansion of the Mandate and Capacity of the ECO Bank together with other initiatives will be submitted to the forthcoming 2nd Meeting of ECO Head of Central Banks. The Second Meeting of ECO Heads of Central Banks is scheduled to be held on August 28-29, 2019 in Tehran. Cooperation in taking measures for improving the financial system of the region, consideration of new instruments for supporting trade, banking and

financial relations among the Member States, forming ECO Clearing Union, consideration of implementation of joint ECO regional projects and strengthening the role of ECO Trade & Development Bank will be the main items of the agenda of the Meeting. The ETDB will also be invited to take part in the Meeting. The results of the Second Meeting of ECO Heads of Central Banks will be submitted to the 5th ECO Ministerial Meeting of Finance and Economy scheduled to be held in 2019 for final approval. Moreover, the leaders of ECO Member States will also take up these important regional financial issues in their next Summit Meeting.

Dear Governors, Mr. President,

Another topic which I would like to highlight for this august meeting is the need to implement priority ECO regional projects reflected in the ECO Vision 2025 and agreed by ECO decision-making organs, as follows:

- In the Transport & Communication sector, ECO has focused on the selected corridors to improve the efficiency of the existing lines as well as the completing the missing links. In this regard, ECO expedited its efforts on commercialization of the Kazakhstan-Turkmenistan-Iran (KTI) and Islamabad-Tehran-Istanbul (ITI) railway. For KTI, ECO has signed the Technical Cooperation Agreement with the IDB for financial support and Memorandum of Agreement (MoA) with UNESCAP, to study phase on the project. For ITI, Pakistan and Iran need financial umbrella for rehabilitation of

Zahedan-Mirjaveh- Taftan- Quetta segment of the Corridor. ECO-TDB is expected to provide Pakistan, Iran and the ECO Secretariat with advice including a financial formula to achieve this target. In road, the field of study made by an international consultant (IRU) on development of Islamabad-Tehran-Istanbul (ITI) is in the final stage to come up with Plan of Action on the measures required to operating the Corridor and design a short list of bankable projects.

- In Energy Sector **i)**-the initiative of establishment of the ECO Regional Electricity Market remains as one of our major projects and ECO in process for hiring consultants for preparation of a Feasibility Study on establishment of ECO Regional Electricity Market. The Secretariat is willing to approach International Financial Institutions/donors for rendering financial and technical support for the Feasibility Study on ECO REM, **ii)**-ECO decided to launch the preparatory Phase of the establishment of ECO Clean Energy Centre and approved the allocation of US\$ 50,000 from the ECO Feasibility and General Purpose Fund as its partial financing. The required budget amounting to US \$223,000 has been galvanized through active engagement of donors. The Secretariat will pursue cooperation with UNIDO on implementation of this project to further focus on sustainable energy, renewables, energy efficiency and conservation, as well as environmental impacts of energy-related activities. ECO will appreciate if the ECO-TDB could kindly consider financial and technical support and contribution to the two regional projects.

The above mentioned projects are good examples which show how our new approach can make our organization a project-oriented one.

Excellencies,

Within the frame work of the aforesaid cooperation between the two organizations and the objectives of the ECO Vision Fund, the esteemed BOG is requested to consider finding ways and means of **i)**-providing loan to the Member States for implementation of joint ECO regional projects and **ii)** providing financial assistance for feasibility studies, capacity building projects and consultancy services to ECO projects.

Having mentioned about the cooperation between the two organizations in last one year, I assure this august body that the ECO Secretariat and the ECO Bank will continue to enhance their cooperation for achieving towards the sustainable economic development of the region.

In conclusion, I would like to express my thanks once more to the Bank for providing me an excellent opportunity to address this august Meeting. I am sure that under the able guidance of the honourable Governors, the Meeting will take salient decisions to expand the operations, outreach and financing capacity of the Bank.

I thank you for your kind attention.