
**ECONOMIC COOPERATION ORGANIZATION
(ECO)**

April 2010

Map with Area of ECO Region



Current Membership

- 1. Islamic Republic of Afghanistan**
- 2. Republic of Azerbaijan**
- 3. Islamic Republic of Iran**
- 4. Republic of Kazakhstan**
- 5. Kyrgyz Republic**
- 6. Islamic Republic of Pakistan**
- 7. Republic of Tajikistan**
- 8. Republic of Turkey**
- 9. Turkmenistan**
- 10. Republic of Uzbekistan**

ECONOMIC COOPERATION ORGANIZATION (ECO)

- **Objectives:**
 - Promote regional economic, technical and cultural cooperation
- **Principal functions:**
 - Encourages sustainable economic development
 - Undertakes progressive removal of trade barriers and promotion of intraregional trade
 - Enhances greater role of the region in the growth of world trade
 - Integration of the economies with the world economy
 - Develops transport and communications infrastructure linking the Member States with each other and with the outside world
 - Encourages economic liberalization and privatization
 - Mobilizes and utilizes ECO region's material resources
 - Effectively utilizes the agricultural and industrial potentials
 - Undertakes regional cooperation for drug abuse control
 - Encourages cooperation for ecological and environmental protection
 - Strengthens historical and cultural ties among the peoples of the ECO region
 - Cooperates with regional and international organizations

Priority Areas in ECO Cooperation

- **Trade & Investment**
- **Transport & Communication**
- **Energy, Minerals and Environment,**
- **Agriculture and Industry**

Development Strategy

- **Trade Development Process (ECOTA)**
 - ECO / ITC Project: Raising Business Awareness on Trade opportunities.
 - ECO Chamber of Commerce / Industry
- **Transit Transport Framework Agreement (TTFA)**
- **Customs Cooperation: Council of Heads of Customs Administration (CHCA)**
- **Agreement on Promotion & Protection of Investment (APPI)**
- **Trade & Investment Information Networking: (Trade-Net)**
- **Visa Agreement**
- **ECO Trade and Development Bank**

ECO TRADE & DEVELOPMENT BANK

- The Articles of Establishment were signed by Iran, Pakistan and Turkey during 3rd ECO Summit (Islamabad, 14-15 March, 1995).
- The Agreement became effective on August 3, 2005.
- Member countries appointed the Board of Governors and Board of Directors (BoD) in 2006.
- Main Staff recruitment taken in hand - 2007.
- Commercial Operations started in 2008.
- Authorized capital: 1 billion SDR.
- Subscribed capital is 300 million SDR.

1. Finance development projects and intra-regional trade;
2. Cooperate with national and international financial institutions and use such institutions as financing channels for its operations;
3. Establish special funds for specific purposes;
4. Undertake banking activities to mobilize resources and provide other banking services as may be necessary.
 - *Partnership with Financial Intermediaries;*
 - *Corporate Finance;*
 - *Co-financing;*
 - *Project Finance.*

Comparative Advantages of ETDB

- Providing financial resources for projects in the region with high development impact.
- Mobilizing co-financing and risk sharing resources for projects and trade transactions.
- Extending medium-to-long term financing.
- Bringing regional focus and expertise; regional ownership.
- Adhering to sound banking standards and principles.

- Following a strategic 5-year Business Plan till 2010 – approved by BoG.
- Over 40 operational policies / procedures prepared and approved.
- 37 Professional staff selected and brought on board.
- Lending operations both to **corporate clients** directly and through **Financial Intermediaries** underway.
- Representative Offices have been established in Pakistan and Iran.
- Cooperation with other multilateral agency is being pursued:
 - MoU with Islamic Development Bank.
 - Investment projects with Asian Development Bank and International Finance Corporation.

SME Development Loan

ETDB has signed agreements with :

IRAN

Bank Mellat

Bank Parsian

Bank Keshavarzi

PAKISTAN

Habib Bank Ltd

United Bank Ltd

TURKEY

Halk Bank

Ziraat Leasing

İş Leasing

- Current approved financing USD 120 million.
- Uptil now apprx. 300 SMEs have been financed through this facility.
- We have particularly supported Agribusiness, Manufacturing, and Construction sectors.

Loans Through Financial Intermediaries (contd)

Short Term Trade Finance Loans

Agreements have been signed with:

IRAN

Bank Mellat

Bank Parsian

Bank Keshavarzi

PAKISTAN

Habib Bank Ltd

TURKEY

VakıfBank

İş bank

- Current approved financing USD 115 million.

New Products

The Bank is working on these products which would be introduced in near future:

- 1) Buyers Credit to selected FIs in ECO Region Countries.
- 2) Payment for Letters of Credit.
- 3) Import Letters of Credit Guarantee between member countries.

- Buyer's credit is the credit availed by an Importer (Buyer) from overseas Lenders i.e Banks and Financial Institutions for payment of his Imports on due date.
- The overseas Banks usually lend the Importer (Buyer) based on the letter of Credit (a Bank Guarantee) issued by the Importers (Buyer's) Bank. In fact the Importers Bank brokers between the Importer and the Overseas lender for arranging buyers credit by issuing its Letter of Comfort for a fee.
- Buyers credit helps local importers access to cheaper foreign funds close to LIBOR rates as against local sources of funding which are costly compared to LIBOR rates.
- For the purpose of promoting exports from ECO Bank member countries to other ECO region countries, Eco Bank will offer Buyer's Credit Facility as one of the efficient methods for promotion of Exports to other ECO Region Countries

Loans Through Financial Intermediaries (contd)

- The most typical method of providing bank finance for the exporter is discounting the L/Cs. This means that a bank pays the net proceeds, that is, the face value of the Letter of Credit less an interest charge for the period of funding
- In this way the exporter receives immediate payment of the account (less our charges) instead of having to wait until the end of the period of trade credit. Similarly the importer obtains a period of credit before having to pay for the imported goods.
- There are several advantages for the exporter. L/Cs are one of the most effective methods of trading conditions, the exporters have to offer extended credit terms at times in order to enable the importers to buy. An exporter who can offer credit terms, thus improving the importer's cash flow, will always be more competitive against its peers.
- The biggest advantage of obtaining finance by means of discounting L/Cs is the fact that the finance is obtained on a non-recourse basis. This then frees up the exporter's facilities and will also be off- balance sheet. It is a very quick way of obtaining funding from banks since there is no requirement for a credit limit to be put in place for the exporter. The exporter may be able to access the funds at a cheaper rate than other conventional means of funding, such as an overdraft.
- As you are well aware, in this method **we will not be involved in the risks of checking documents** or any disputes between issuing Banks and advising Banks

Loans Through Financial Intermediaries (contd)

- One of the other ways for boosting the trade between member countries of the ECO Bank is guaranteeing payment of the proceeds of the L/Cs by issuing Banks and safe transfer of disbursement.
- In this method ECO Bank acts like Export Credit Agencies and will take the risk of reimbursement by the issuing Bank of the L/C and safe transfer of that L/C proceeds without being involved in checking documents and taking the risk of any existing discrepancy in shipping documents.
- For establishing and launching this product like other products of the bank we should specify limits for banks.
- We will be guarantor of honoring the Payment reimbursement by the issuing Bank or the risk of non-payment of the issuing bank for transfer of funds

- Started Operation in September 2008.
- Introduced ETDB in Public Sector/Private Sector clients in the member countries through visits and participation in relevant seminars.
- Conducted visits to local and international banks to introduce ourselves and generate business.

Approved / Operational Transactions

- USD 50 million Corporate Loan to Pakistan Refineries Limited. Sector (Pakistan).
- USD 20 million Corporate Loan to Tupras (Turkey).
- Approved Financing of around Euro 17 million for an Irrigation Project in Iran.

Operations in Pipeline

- Infrastructure/ Irrigation projects in Iran.
- Dam and manufacturing projects in Pakistan
- Wind Farm Project in Pakistan to be Co-financed with other International Financial Institutions.
- Manufacturing Project and Urban Infrastructure Development Project in Turkey.

Indicative Time Scales

	Task	Estimated Duration
i.	Eligibility Review	1- 2 week
ii.	Concept Clearance	4 - 5 weeks
iii.	Appraisal & Due Diligence	1 – 3 months
iv.	Board of Director’s approval	1 month
v.	Signing of Legal Documentation	2 – 6 weeks
	Total	3 - 5 months

Project Limits

- Project Finance – Up to 50% of the project cost.
- Corporate Finance – Maximum 100% of the financing request subject to certain conditions.
- Trade Finance – Maximum 100% of value of transaction subject to certain conditions.

Membership of the Bank

The Bank would like to see greater participation of other ECO member states in determining its strategic direction and designing its activities.

This would require presence of these countries on its decision-making fora. Joining the Bank would allow the member states to get representation on the Board of Governors and Board of Directors of the Bank.

This would enable the Bank to make a greater impact on the economies of the Region.

Thank you

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