

CAREC SENIOR OFFICIALS' MEETING

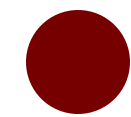
Cross-Border PPP Projects

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ISSYK-KUL,
KYRGYZ REPUBLIC**



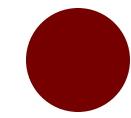
FUNDEMENTALS OF CROSS BORDER PPP



Globalisation and regionalisation

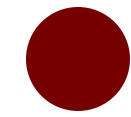
Globalisation and how we're more connected than ever before.

Impacts of regional interactions rise



Why need of Connectivity

In the infrastructure world, we think of connectivity as the “linkages of communities, economies and nations through transport, communications, energy, and water networks across a number of countries”.



Needs of financing of CPPP and bankability

Large-scale infrastructure projects that cross national borders often implies that large investments are needed to fund these projects. Investors will look at: efficient planning, an alignment of political will, a coordinated enabling environment, a reliable return, shared risk allocation that means projects are bankable'

1. Why Cross-Border PPP's

Strategic Infrastructure

CPPP's facilitate connectivity, trade and regional integration

Global relevance

Global debt 100 trillion dollars
Global needs 94 trillion dollars by 2040
Needs in emerging economies are 60 trillion dollars

Sustainable Development

PPP's support SDG's through inclusive infrastructure, climate, resilience and green finance

Changing needs and global risk

AI, technological progress, digital public services and global conflicts

Slide-1 Explanation

- One of the most impactful instruments for advancing regional infrastructure.
- These initiatives go beyond national boundaries to unlock new economic corridors, streamline trade logistics, and connect disparate economies under shared goals.
- As highlighted by the World Bank and IFC, over \$60 billion is invested annually in PPPs in developing economies, with a significant share focused on cross-border networks.
- Main sectors are energy, transport, and digital infrastructure.
- These projects not only tackle infrastructure deficits but also promote collaboration across legal, political, and operational boundaries.
- Sustainable cross-border PPPs are increasingly essential in achieving Sustainable Development Goals.
- From environmental safeguards to community-based development and climate-resilient engineering, these partnerships are evolving toward more inclusive and forward-looking models.

This slide's purpose is solely for translators.

2. THE DEFINITION OF C-PPP

- **GI Hub:** CPPP; where physical infrastructure facilities are located in more than one country, but also facilities that are physically located in only one country but have a strong impact on another country.
- **ADB** defines cross-border PPPs as infrastructure projects operating across two or more countries, or national infrastructure projects with a significant cross-border impact.
- **UNCITRAL** describes cross-border PPPs as transnational PPPs with two or more participating countries

3. FEATURES AND RELEVANCE

FACTORS TO CONSIDER

- **Multi-Jurisdictional Scope**
Shared responsibilities, risks and benefits
- **Integrated project lifecycle**
Including joint planning, financing, construction and operations by partners.
- **Legal and regulatory harmonisation**
Require alignment of laws, standards and dispute resolution mechanism across borders

Slide-5 Explanation

- Cross-border PPPs are unique public-private collaborations that transcend national boundaries to deliver infrastructure or services benefiting more than one country.
- These projects usually involve bi-national or regional authorities working alongside private sector stakeholders. The collaboration spans all phases -from feasibility assessment and financing structures to implementation and long-term operations.
- Common examples include rail corridors, energy grids, bridges, and fiber optic links.
- Due to differing legal, regulatory, and institutional frameworks across countries, cross-border PPPs necessitate harmonized standards and often rely on supranational entities or treaties to structure agreements. This makes them both complex and strategically important for long-term regional integration.

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4. CPPP Criteria

Mandatory

OBJECT

MULTIPLE PARTICIPANTS

INTERNATIONAL
LEGAL FRAMEWORK

Supplementary

INTEGRATED OBJECTIVES &
IMPACT

EXTENDED RISK MATRIX

- Crossing borders infrastructure
- Two or more partners on the side of public
- Intergovernmental agreement
- Joint PMO's
- Additional legal, commercial, financial and political risks

5. FINANCING CROSS-BORDER PROJECTS-1

The economic, social and environmental costs and benefits of large infrastructure projects must be assessed carefully.

PPP

The PPP approach enables the feasibility of higher risk projects with lower return expectations.

Viability Gap Funding

Viability Gap Funding is typically provided by government to reduce the upfront capital costs of infrastructure, where the revenue from an acceptable level of user-fee is less than what would be required to meet commercial viability

Blended Finance

Where affordability to the government budget is a challenge, it may be appropriate to consider blending commercial finance with targeted concessional or grant funding from development banks and international financial institutions to make the project viable

5. FINANCING CROSS-BORDER PROJECTS-2

The economic, social and environmental costs and benefits of large infrastructure projects must be assessed carefully.

Grant

Grant support may be appropriate for elements of projects with high developmental outcomes.

The Pakistan Economic Corridors Programme (PECP)[\[3\]](#), supported by the UK Department of International Development (DFID) and the Asian Development Bank (ADB), aims to promote regional trade and economic growth in Central Asia through the allocation of grant funding for three components:

1. Road construction and upgrading of critical links in Pakistan which are part of the Central Asia Regional Economic Cooperation (CAREC) programme.
2. Developing a pipeline of commercially viable PPP projects.
3. Providing technical assistance to facilitate cross-border transport and economic corridor planning.

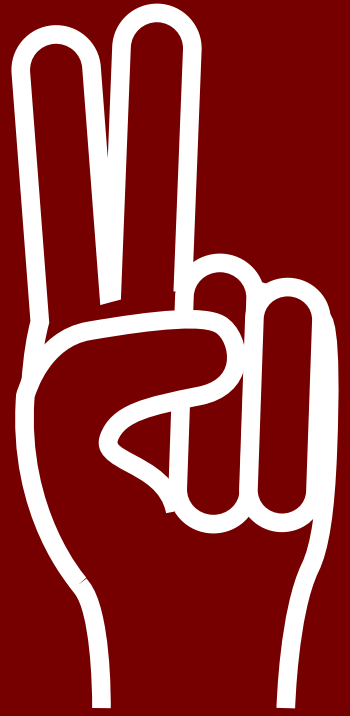
Commercially viable projects

For example, the ICT sector has attracted private investment to capitalise on the commercial opportunities created by growing global demand and consumer willingness to pay.

In 2018, it is believed to be over 1.2 million kilometres of submarine cables in service globally, financed by a range of private, consortium and PPP approaches. Private operators, such as content providers (e.g. Google, Facebook, Microsoft, and Amazon), are now the major investors in new cable.

6. GUIDELINE FOR SUCCESS

- Ensure that political decisions are made, and cross-border PPP are planned in line with regional co-operation priorities
- Maintain cohesion of national cross-border infrastructure development plans
- Develop special international and national legal frameworks
- Establish bilateral and multilateral institutional mechanism to support cross-border PPP
- Work in partnership with regional economic association and multilateral development banks to improve the effectiveness of cross-border PPP's
- Improve financial stability and reduce risk exposures of cross border PPP's
- Encourage and support cross-border PPP's that contribute the most to the SDG's



INTERNATIONAL BEST PRACTICES

CROSS-BORDER PPP'S

ABIDJAN- LAGOS CORRIDOR

- 1028 km highway spans 5 countries, ensuring a high level regional integration
Côte d'Ivoire, Ghana, Togo, Benin, and Nigeria
- Multinational financing: Funded by ECOWAS, AfDB, WB, private sectors
- Social and economic impact: over 40 million people, reduce time 50% and enhance connectivity
- This corridor is emblematic of how cross-border PPPs can drive economic growth and social cohesion in Africa.



- New legal and institutional frameworks, including PPP units and procurement laws, have been developed to facilitate this initiative.
- The project is transformative: it's expected to serve over 40 million people, significantly reduce travel times, and enable seamless movement of goods and services.

Case Study: Brenner Base Tunnel

Europe's Alpine Freight Corridor

- **Multinational scope:** Spanning Austria and Italy, the 55 km tunnel is Europe's longest underground rail link.
- **Modal shift objective:** Designed to shift freight from road to rail, reducing emissions across the Alps.
- **PPP co-financing:** Supported by EU TEN-T, national governments, and private actors through blended models.



Photo by Ricardo Gomez Angel on Unsplash

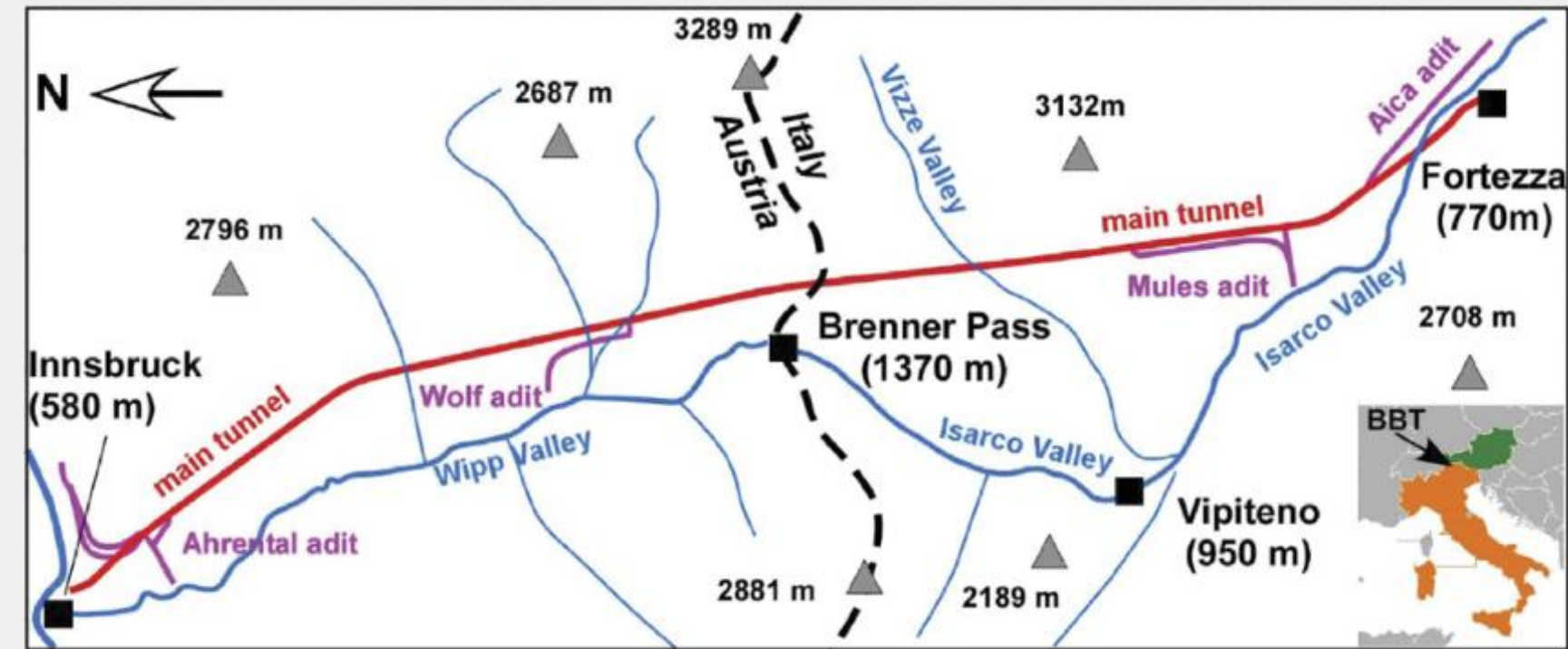
BRENNER BASE TUNNEL

- The Brenner Base Tunnel is a hallmark cross-border PPP project, linking Austria and Italy via a 55-kilometer underground railway.

It is the longest underground rail connection in Europe, forming a critical component of the EU's Trans-European Transport Network (TEN-T).

- The tunnel's financing is structured through a mix of EU grants, national contributions, and PPP co-financing from private partners.

- With its high impact environmental and logistical outcomes, the Brenner Tunnel sets a standard for sustainable and integrated European infrastructure.



- The project's main goal is modal shift—moving freight off congested highways and onto environmentally friendly rail. This shift will not only reduce traffic but will also cut CO₂ emissions across the sensitive Alpine region.

Case Study: Gordie Howe International Bridge

Modern Border Link Between Canada and the USA

- **Strategic gateway:** Connects Detroit (USA) and Windsor (Canada) as a vital North American trade artery.
- **DBFOM PPP model:** \$5.7 billion project using design-build-finance-operate-maintain (DBFOM) framework.
- **Long-term operation:** 30-year concession with availability payments and performance-based maintenance.



Photo by Nicole Paschen on Unsplash

GORDIE HOWE INTERNATIONAL BRIDGE

- One of the most significant bridges of modern cross-border infrastructure.

- Spanning 2.5 kilometers across the Detroit River, it connects Detroit, Michigan, in the United States with Windsor, Ontario, in Canada.

- This project serves as a major trade conduit between the two nations, handling over 25% of bilateral commerce. Developed under a DBFOM (design-build-finance-operate-maintain) public-private partnership model, the project is valued at \$5.7 billion.



- It features an availability-payment scheme, meaning the private consortium is compensated based on bridge performance, not toll revenue.

- The bridge is expected to open by 2025, and its 30-year operational period ensures continued performance and safety. With advanced security, customs, and inspection facilities, the project sets a new standard for border infrastructure and North American cooperation.

CHINA- LAOS RAILWAY PROJECT

- The China-Laos Railway represents a landmark cross-border PPP in Asia, connecting Kunming in China's Yunnan province to Vientiane, the capital of Laos.
- With a total distance of 422 km (or up to 1,000 km including broader network integration), this line traverses mountainous terrain and remote areas, enabling a new regional transport corridor.
- Developed under a Build-Operate-Transfer (BOT) model, the railway was financed through a \$3.54 billion loan from China Eximbank and co-investment from both countries.



- The project includes extensive tunneling and bridge engineering, reflecting its technical complexity. Operational since December 2021, the railway has already moved tens of millions of passengers and cargo.
- It significantly reduces transport time—from 2 days by road to 12 hours by train—demonstrating the power of cross-border PPPs in reshaping regional mobility and trade.

Trends

- Cross-border PPPs should not just deliver roads or ports — they must unlock dignity, opportunity, and fairness across borders.
- They are not just about infrastructure; they are about connectivity.
- Trend in PPP: 'Public First' in PPP: Public service is not just project delivery — it's about outcomes: poverty reduction, resilience, fairness.
- PPPs as a public value mechanism, not just finance schemes.



Challenges

- **Political Alignment Risk:** Most talk about political risk in host countries, but few explore bilateral political alignment as a success factor.
- **Regulatory Clash:** Differing standards, e.g., in environmental regulations or labor law, create compliance friction.
- **Currency and Tax Complexity:** Most overlook dual tax regimes, profit repatriation hurdles, and currency convertibility as structural risks. These are not just finance issues — they affect legal structuring and dispute resolution.
- **Cultural Integration Risk:** A Singaporean firm working with a provincial government in South Asia may have drastically different timelines, negotiation styles, and trust assumptions.
- **Expectation gaps between the parties:** The mismatch in perceptions of economic benefits between the two sides, particularly the search for a balance between capital expenditures and operating expenses



Hard pinch-points



- ***Multilateral Scrutiny and Accountability Layer:*** Cross-border PPPs often attract IMF, World Bank, AIIB, or ADB involvement. These institutions bring both funding and normative pressure (transparency, gender inclusion, climate goals). Success requires balancing local interest with global mandates.
- ***Dual Sovereignty and Jurisdiction Conflicts:*** Who has final say if things go wrong? Arbitration forums (ICSID, UNCITRAL) vs. domestic courts — but public opinion often challenges arbitration outcomes in developing countries.
- ***Strategic Infrastructure vs. Commercial Infrastructure:*** A rail line may make no money but shift geopolitical alliances.

Conclusion

- Share Purpose, Not Just Risk: Frame projects in human outcomes: jobs, health, resilience.
- Avoid the optimism bias
- Stay Regionally Curious: Learning by sharing





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THANK YOU

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