



CAREC 2020
Mobilising Resources for
Regional Cooperation & Integration

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EBRD - Supporting Private Sector Development and Entrepreneurship



- Owned by 61 countries and two intergovernmental institutions. AAA/Aaa rated
- The largest single investor in its region
- Promotes transition to market economies in 29 countries from central Europe to central Asia and co-ordinates closely with other IFIs
- Supports private investment and acts as a catalyst for greater involvement of private co-financiers
- Applies sound banking principles and strengthens sustainability
- EBRD has provided €60 billion in financing for 3,000 projects with a total project value of €180 billion.



10 CAREC Countries

Seven are EBRD members:

- Azerbaijan
- Kazakhstan
- Kyrgyz Republic
- Mongolia
- Tajikistan
- Turkmenistan
- Uzbekistan

Other members:

- Afghanistan
- Pakistan
- People's Republic of China



EBRD Total Financing in Common CAREC Countries

Country	Total Volume to Date (€million)	Total Private Sector	Transport	Energy Links *	Energy & Efficiency
Azerbaijan	1,148.9	791.0	120.5	69.5	431.7
Kazakhstan	3,727.9	2,782.3	651.6	269.3	195.4
Kyrgyz Republic	313.7	232.8	23.6	40.9	0.4
Mongolia	313.5	313.5	0.0	0.0	9.7
Tajikistan	196.8	165.0	0.0	0.0	0.0
Turkmenistan	126.2	105.9	0.0	0.0	40.5
Uzbekistan	667.6	453.6	0.0	0.0	18.8
TOTAL	6,494.6	4,844.1	795.7	379.7	696.5

* Electricity Transmission & Pipelines



Key Features of EBRD Transport Projects in CAREC Countries

- Strong focus on regional integration
- Most projects are co-financed on a sovereign basis with other IFIs, notably ADB, World Bank, EU
- Policy dialogue enhanced through IFI co-ordination of key messages
- Joint technical assistance projects or shared results of such assignments fostered by IFI co-operation



EBRD Transport Project Pipeline in the CAREC Region

Project	Country	EBRD Finance (€million)
Azeri roads	Azerbaijan	350.0
Azeri rail	Azerbaijan	140.0
KazTransTelecom	Kazakhstan	35.0
KTZ Energy Efficiency	Kazakhstan	140.0
Dushanbe-Uzbekistan Border Road	Tajikistan	18.0
Turkmenbashi Shipyard	Turkmenistan	47.0
Total		730.0



CAREC Strategy – Opportunities

- Development of a balanced and sequenced project pipeline for key investments
- Programme based on the Comprehensive Action Plan (CAP) and on sector strategies (but with more country ownership)
- The CAP will serve as an important tool to mobilise and diversify required resources for the programme (i.e. loans, grants & TA)



CAREC Strategy – Challenges

- Funding requirements exceed the financing and institutional absorption capacity of CAREC governments and IFIs funding and portfolio management constraints
- Resources need to be mobilised from other development partners, including the bilateral aid agencies
- Private sector resources need to be harnessed where feasible to supplement sovereign and grant financing
- EBRD can help to promote private sector and non sovereign based finance in the region along with other IFIs



Mobilising Private Finance in the CAREC Region

- Private sector finance for transport, energy, municipalities and infrastructure can be mobilised through one of the many variants of “Public Private Partnerships” (PPP)
- PPPs are based around a contract to deliver a project and/ or provide infrastructure services for governments, in which risks are shared (i.e. adequately and in a sustainable manner) between the parties
- Not all PPPs involve the development of new infrastructure (road maintenance concessions are becoming increasingly popular)



PPPs Challenges

PPPs will be challenging to implement in the CAREC Region as elsewhere. To succeed it is essential to:

- Have a supportive enabling legal framework in place
- Identify feasible and affordable projects with widespread support
- Define the right project structure/sharing risk approach - Government's are often reluctant to engage experienced advisors, but good ones will pay for themselves!
- Follow best practice procedures - a misplaced desire for speed often results in unsustainable projects which fail to reach financial close



Applying PPPs to Regional Projects

- Regional projects can span two or more neighbouring countries in the CAREC Region and are key for development
- These are generally more difficult to deliver than national projects, often having lower priority for national governments
- They are far more complex to structure as PPPs than national projects
- Each part of a regional PPP must be bankable on a standalone basis own to mitigate legal, regulatory and financial risks
- This challenge provides an opportunity for CAREC and the IFIs to play an important role



IFIs can help promote PPPs in the CAREC Region by....

- Assisting with the enabling environment and helping Governments to become aware of best practice
- Promoting establishment of a central PPP unit (not under an Infrastructure Ministry)
- Encouraging access to good quality advice at all stages and mobilising a comprehensive and complementary technical assistance package
- Providing indications of support to reassure private investors
- EBRD offers a flexible custom made package: debt, equity, currency hedges, guarantees, technical assistance (preparation, implementation, institution building and sector reforms)



EBRD PPP Examples in the Transport Sector

Operation Name	Sector	Total Project Value (€million)	EBRD Finance (€million)
Slovakia, R1 Motorway concession	Road	1,300.0	200.0
Hungary, M5 Motorway Motorway B.O.T.	Road	309.9	61.0
Hungary, M5 Refinancing	Road	221.3	67.5
Hungary, M5 Phase II	Road	900.0	100.0
Hungary, M6 Motorway	Road	404.2	25.3
Hungary, 6 Motorway Refinancing	Road	482.0	32.0
Hungary, M6-M60 Motorway	Road	962.2	74.6
Hungary, M1-M15 Motorway Project	Road	235.1	67.9
Russia, Pulkovo Airport	Aviation	1,200	100.0
Albania, Tirana Airport Privatisation Project	Aviation	73.5	29.7
Armenia International Airport – Phase I and Phase II	Aviation	159.1	40.8
Georgia, Tbilisi International Airport	Aviation	80.2	17.5
Czech Republic, Grandi Stazioni	Rail	32.4	3.8
Georgia, JSC Channel Energy Poti Port	Port	23.6	7.8



R1 – Motorway PPP, Slovakia

- The first concession contract awarded under a PPP structure for motorway projects in the Slovak Republic
- This 30 year availability fee-based concession was closed under extraordinary circumstances as the global economic crisis took hold
- EBRD provides up to EUR 200 million Senior Loan as part of a Senior Term Loan Facility of EUR 1,050 million. The financial close of this transaction in August 2009 and was an early example of a major infrastructure project being concluded in Europe after the onset of the crisis without direct government support
- Project involves design, construction, financing, operation and maintenance of three sections of the R1 expressway between Nitra and Tekovske Nemce, as well as the Banska Bystrica Northern Bypass, for a total length of 51.6 km
- The success of this project was capped by its receiving PFI European Infrastructure Deal of the Year 2009, among others



Pulkovo Airport, St. Petersburg, Russian Federation

- In July 2010, the EBRD, Northern Capital Gateway consortium and IFC successfully closed the Pulkovo Airport Modernisation Project
- This is the first major Public Private Partnership (PPP) project in Russia to be financed without Government support
- The deal was awarded Infrastructure Investors 'Global PPP of the Year' and Project Finance Magazine's 'Europe PPP Transaction of the Year'
- The total cost of the project is €1.2 billion, of which over €700 million is financed through limited recourse, long-term senior debt with no government grants or subsidies involved in the financing
- The project includes significant sustainable energy initiatives which are expected to contribute towards a saving of over 4,000 tonnes of carbon emissions per year



Grandi Stazioni, Czech Republic

- Project involves rehabilitation & commercial exploitation of 3 Czech Railway Stations: Prague, Marianske Lazne & Karlovy
- International public tender of 10+30 year concession with no public sector involvement
- State has no investment obligations, but has some participation in the profit of the SPV after a certain number of years
- EBRD's first equity investment in a transport PPP, provided in 2004. EBRD relies on dividend income and long term exit returns
- EBRD is a financial partner with a seat on the Supervisory board
- Long-term debt financed by commercial banks
- Milestone opening of Prague New Hall achieved in July 2009



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