

Cross-border PPPs – A Catalyst for Regional Integration

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ADB and CAREC – Supporting Cross-Border PPPs

- **ADB's Role:** ADB serves as CAREC Secretariat and provides technical assistance, advisory support, and funding for regional PPP project preparation.
- **Project Development:** ADB funds feasibility studies and structuring for cross-border infrastructure projects (e.g., economic impact analysis, legal due diligence, project design).
- **Economic Corridors:** The Almaty–Bishkek Economic Corridor (ABEC) is a pilot connecting Kazakhstan and the Kyrgyz Republic. Regional PPP projects are being developed under it, including the Almaty–Issyk-Kul road.
- **Facilitator and Financier:** ADB and other MDBs can co-finance cross-border PPPs and act as neutral coordinators between countries.



Almaty–Issyk-Kul Alternative Road

- **New Cross-Border Highway:** Will connect Almaty with Issyk-Kul via a shorter route over the Kungey Ala-Too Range.
- **Travel Time Savings:** Distance reduced from ~460 km to ~260 km (new segment ~88 km); travel time drops from over 7 hours to around 4.
- **Route Specs:** 49 km of new road + 39 km reconstruction; design speed up to 100 km/h; seasonal operation (May–October) due to mountain passes.
- **Tourism and Logistics Impact:** Expected traffic: 2,250–4,000 vehicles/day (mostly tourists); enables weekend trips and boosts regional tourism and trade.
- **Strategic Importance:** Flagship priority for both governments (endorsed by Presidents); opens up opportunities in tourism, agriculture, and trade.



Almaty–Issyk-Kul Alternative Road

- **Joint Development Agreement:** Kazakhstan and the Kyrgyz Republic signed a joint MoU (2017) and included the project in their bilateral corridor plan.
- **PPP Framework:** Kazakhstan’s PPP legislation will be used for procurement (95% of route is in Kazakhstan).
- **Why Kazakhstan’s Law:** Kazakhstan has PPP success in roads (e.g., BAKAD project, \$543 million); most land/construction is on its side.
- **Kyrgyz Republic’s Role:** Parliamentary approval needed; agreement required for tolling on Kyrgyz segment to avoid double-charging.
- **Studies Conducted:** ADB provided TA for economic impact analysis (2020) and legal due diligence. ADB acts as transaction advisor.
- **Economic Rationale:** GDP gains expected: \$31–95 million in Kazakhstan; \$53–194 million in Kyrgyz Republic. Up to 50% of new jobs in Kyrgyzstan will be in tourism.
- **Risk Management:** To attract investors, government support may be needed (e.g., viability gap funding of \$40–60 million, traffic guarantees, political risk insurance). Support measures are under discussion with ADB and both governments.



Yavan Hydropower Plant (Tajikistan – Uzbekistan)

- **Cross-Border Energy Project:** 140 MW hydropower plant on the Zeravshan River in Tajikistan, near Uzbekistan's border.
- **Historic Cooperation:** First major joint energy project between Tajikistan and Uzbekistan after normalization of relations in 2018.
- **Project Launch:** Presidents of both countries officially launched the project in June 2022. A project company was established, signaling political commitment.
- **Mutual Benefits:** Will supply both countries with renewable power, improving energy security and water resource management (for irrigation).
- **Cost and Financing:** Estimated ~\$282 million; ADB and EBRD expressed interest in supporting preparation and co-financing.
- **PPP Structure:** a JV or PPP involving both governments, with private contractors/investors possible. Uzbekistan to invest in a plant located in Tajikistan.
- **Regional Impact:** Integration of power grids – power from Zeravshan HPP to be exported to Uzbekistan to meet peak demand and strengthen energy interdependence.



East Africa Single Tourist Visa (Kenya, Uganda, Rwanda)

- **Summary:** Since 2014, a unified 90-day tourist visa has simplified cross-border travel and boosted regional promotion.
- **Tourism Goal:** Create a single destination, streamline logistics. Growth in tourist flows and multi-country itineraries.
- **Partnership Format:** Intergovernmental agreement with private sector engagement.
- **Funding Model:** Self-sustaining visa: \$100 per visa; proceeds split between countries (\$40 retained by issuing country, \$30 to each of the others).
- **Roles:**
 - **Governments:** Visa policy, IT systems, promotion.
 - **Private Sector:** No direct PPP partner, but strong cooperation with tour operators, airlines, and the private sector ensured successful rollout.



International Cross-Border PPP Examples

- **Brenner Base Tunnel (Austria – Italy):** 55 km rail tunnel under the Alps, jointly funded by Austria, Italy, and EU. Implemented by bi-national company BBT SE. Goal: shift freight from road to rail by 2032 and improve EU connectivity.
- **Abidjan–Lagos Corridor (West Africa):** 1,028 km highway connecting five capitals by 2030. ~\$15 billion project using a transnational PPP model with private consortia for construction/operation. Coordinated by AfDB.
- **Other Examples:** Øresund Bridge (Denmark–Sweden, rail-road bridge with private operator); Rift Valley Railway concession (Kenya–Uganda joint rail PPP).



Conclusions – Cross-Border PPPs in the CAREC Context

- **Lessons Learned:** Success depends on special institutions (SPVs, joint agencies), political agreements, and blended finance (public + private + MDBs).
- **High Impact:** Cross-border PPPs generate outsized benefits — unlock new trade routes, ensure energy for multiple countries, enable regional value chains.
- **Preparation is Critical:** Projects need joint feasibility studies and legal harmonization. Upfront TA from ADB/MDBs is vital.
- **Risk Sharing:** Governments must agree on fair cost/risk sharing. Often requires formal agreements or guarantees to build investor confidence.
- **Enabling Conditions:** Political commitment, aligned policies, and neutral facilitators (CAREC/ADB/MDBs) increase success rates.
- **Collective Gains:** CAREC countries can jointly deliver infrastructure too big or complex for one country alone.



Panel Discussion

- **Azerbaijan: Mr. Zamir Dibirov**, Head of Project Management Department, Ministry of Economy
- **Georgia: Mr. Levan Batiashvili**, Acting Chairperson, LEPL Public Private Agency of Georgia
- **Kazakhstan: Ms. Aliya Yesdauletova**, Director of the Department of the Investment Policy and Financial Sector Development, Ministry of National Economy
- **Kyrgyz Republic: Mr. Abdu-Salam Tairov**, Head of Project Realization and Monitoring Department PPP Center
- **Tajikistan: Ms. Khurshedai Qodir**, Deputy Chairman, State Committee for Investments and State Property Management
- **Uzbekistan: Mr. Sarvarbek Rakhimov**, Deputy Head of PPP Projects Monitoring Division, Ministry of Economy and Finance



Panel Discussion – Questions

- 1. Potential for Projects in CAREC:** What cross-border initiatives are already being discussed or could be realized in the CAREC region? Is there investor or government interest in new roads, energy links, or railways? Could you highlight any promising examples worth supporting?
- 2. Institutional Barriers:** We often hear about coordination issues, legal incompatibilities, and procedural differences. How can these institutional barriers be mitigated? Are there any success stories from the region or globally?
- 3. Project Governance:** What type of governance structure works best in practice for cross-border PPPs? Should countries rely on intergovernmental agreements, or is it better to establish joint special-purpose vehicles (SPVs) to implement the projects?
- 4. Role of IFIs:** Where is support from ADB and other international financial institutions most valuable — during project preparation, structuring and financing, or as a neutral facilitator between countries?
- 5. Private Sector Interest:** What attracts private investors to cross-border PPPs? Is revenue potential sufficient on its own, or are guarantees, subsidies, and political risk mitigation tools also needed?
- 6. Tourism and Cross-Border Initiatives:** What are the specific challenges and opportunities in developing cross-border PPPs in tourism? How feasible is it to create shared routes, regional visa solutions, or joint marketing brands within CAREC?