Foreign Direct Investment and PPPs for Infrastructure
- *CAREC Experience & Opportunities*

CAREC: Macroeconomic and FDI Performance

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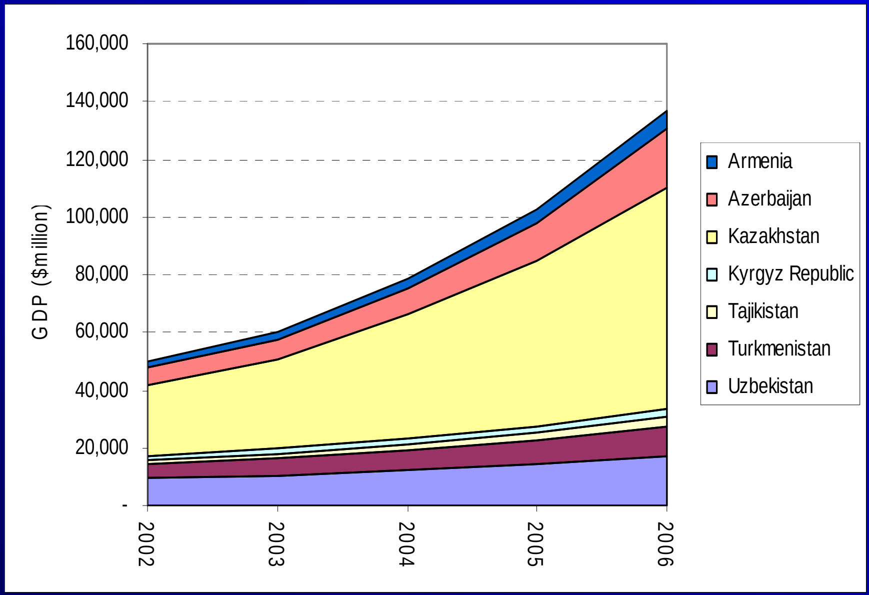
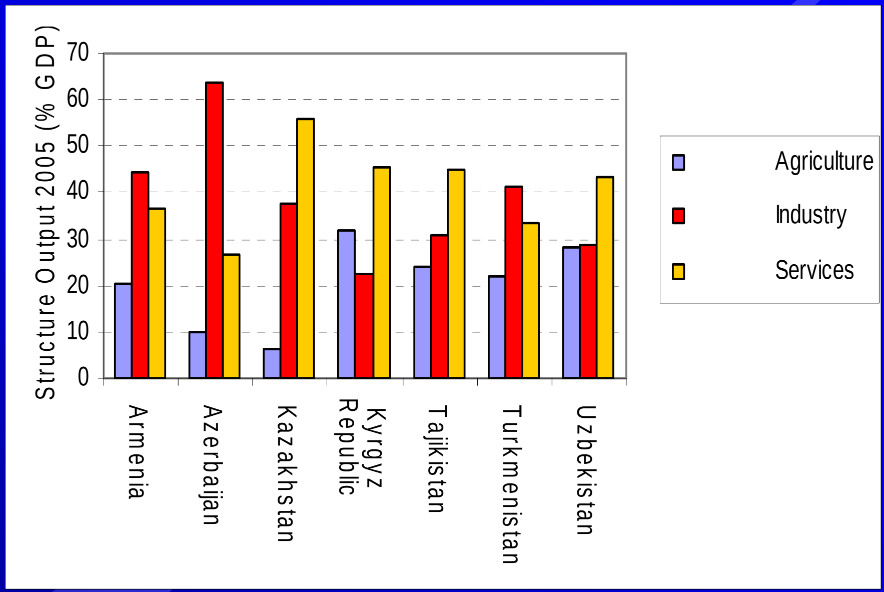
CAREC Region
Shared Heritage - Diverse Economies



Source: *World Development Indicators*, Database



Source: *Key Indicators*, ADB

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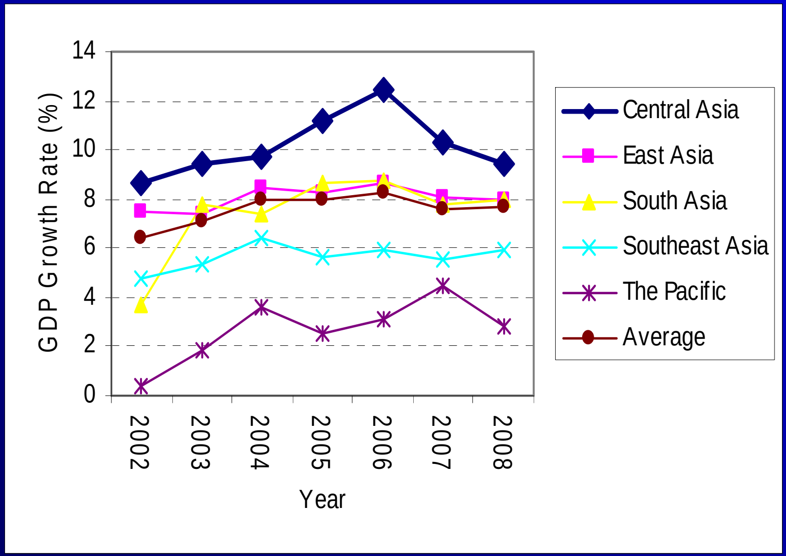
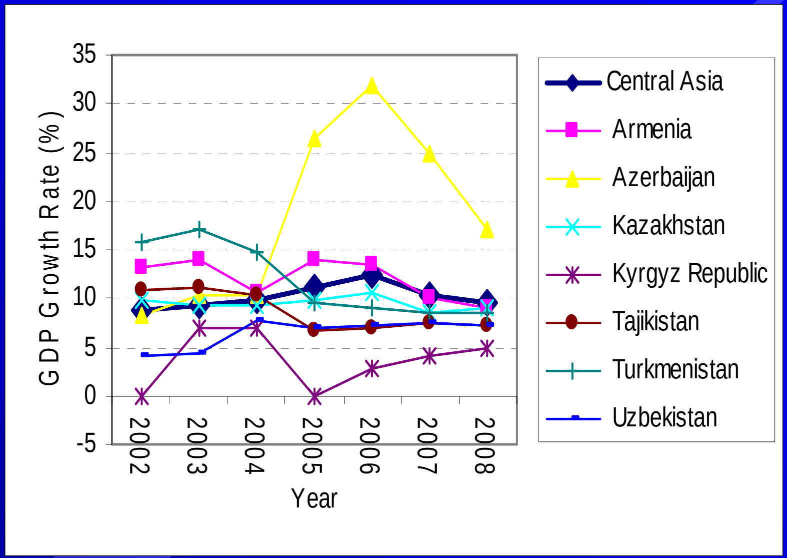
CAREC Region –
Growth Rates amongst the Highest in Asia and Globally



Source: *Key Indicators*, ADB



Source: *Key Indicators*, ADB

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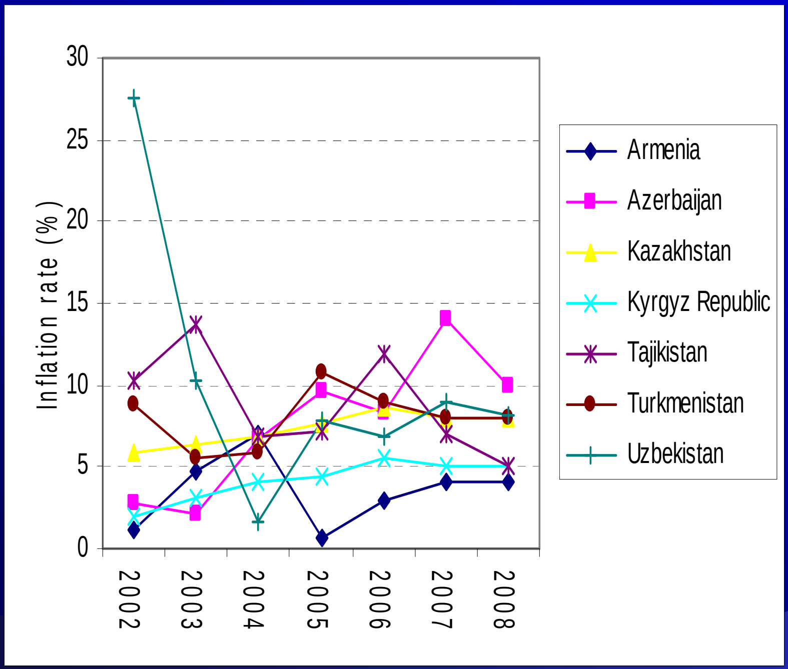
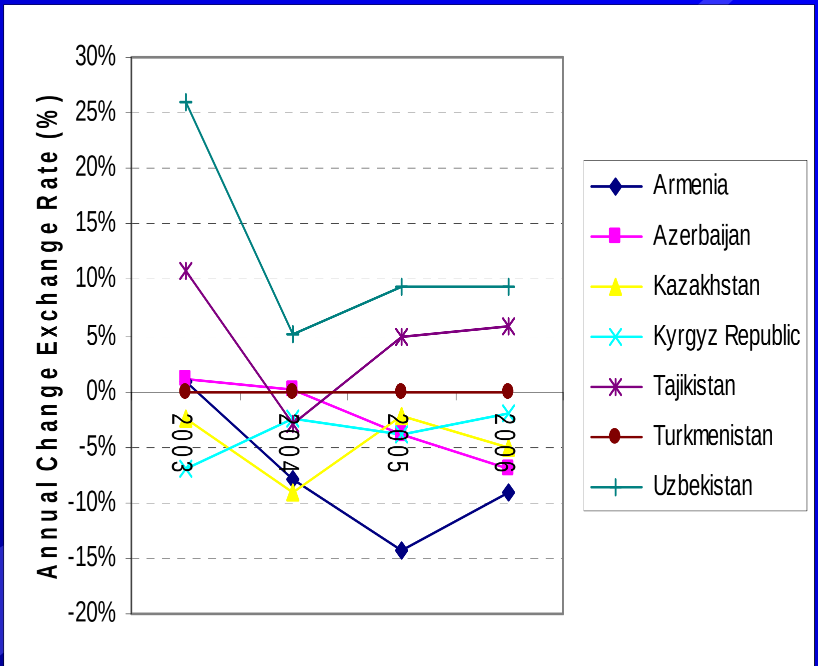
… and Macroeconomic Stability

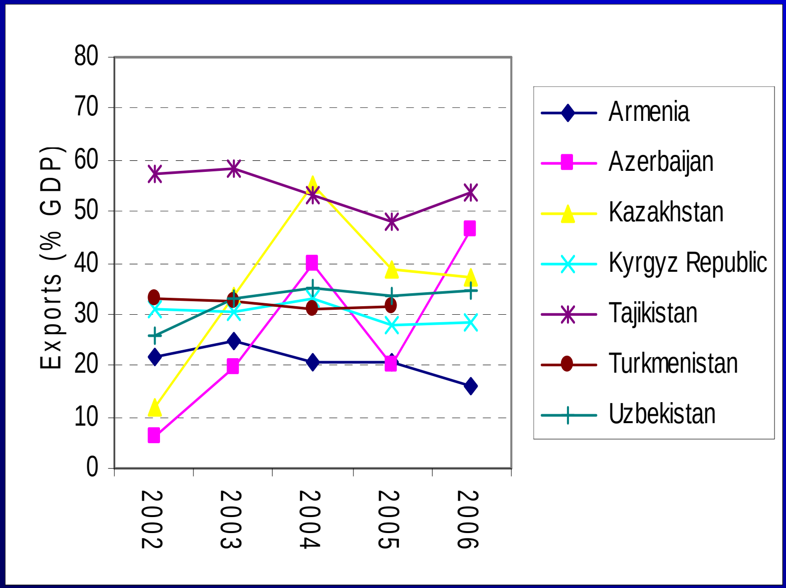


Source: *Key Indicators*, ADB

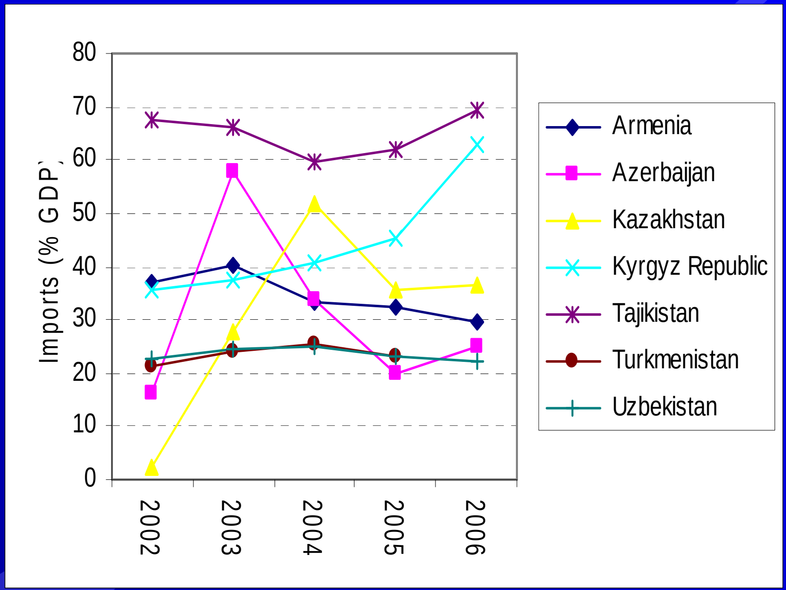


Source: *Key Indicators*, ADB

CAREC Economies are Open - but apart from Oil Sales International Trade has yet to take off



Source: *Key Indicators*, ADB



Source: *Key Indicators*, ADB

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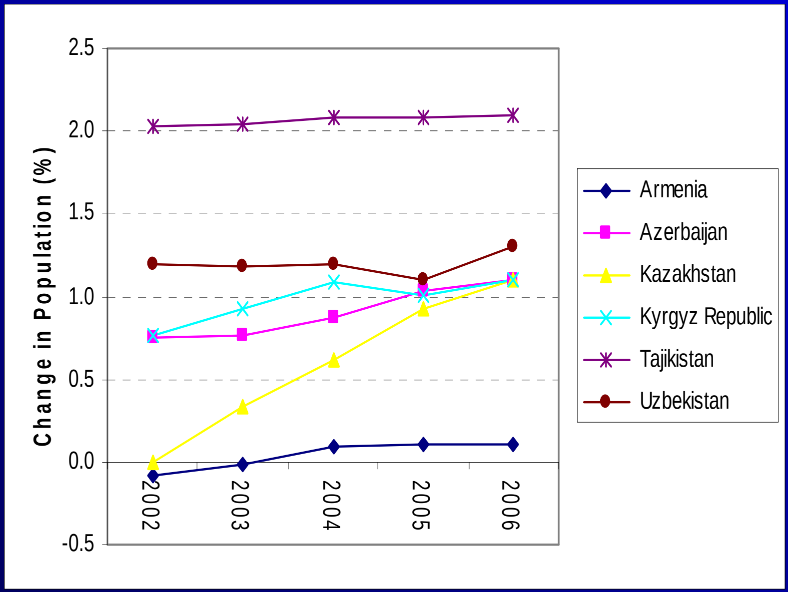
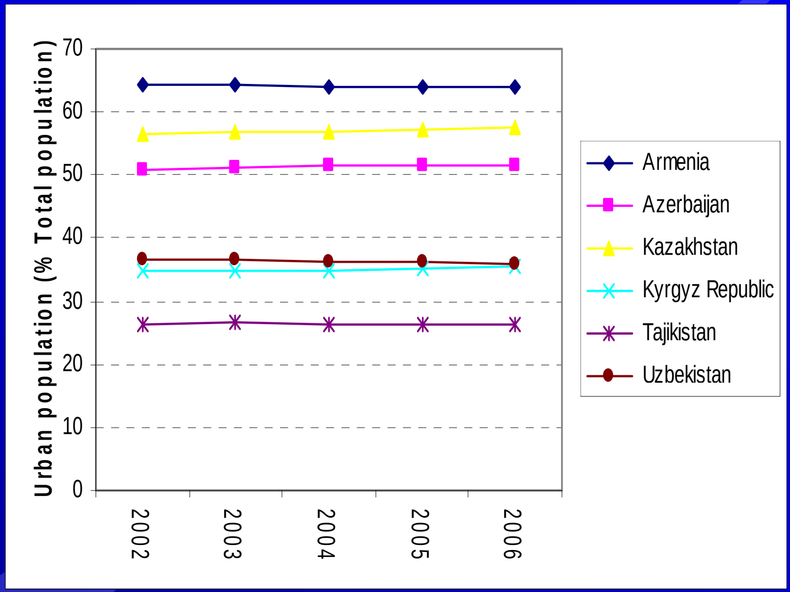
Population and Urbanization Growth Rates Static – Future?



Source: *Key Indicators*, ADB



Source: *Key Indicators*, ADB

Relatively High Access to Infrastructure Services - But Modernisation & Improvement Required to Sustain Growth and Accelerate Trade

Indicators	Armenia	Azerbaijan	Kazakhstan	Kyrgyz Rep.	Tajikistan	Uzbekistan	Europe and Central Asia
GNI per capita, Atlas method (current US$)	1,120	950	2,260	400	280	460	3,282
Electric power consumption (kwh per capita)	1,113	1,878	2,911	1,269	2,226	1,670	2,342
Improved water source (% of population with access)	92	77	86	76	58	89	87
Improved sanitation facilities (% of population with access)	84	55	72	60	53	57	78
Total telephone subscribers per 100 inhabitants	26	33	34	11	62	8	63

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Rate of Infrastructure Development is Rated as Critical Constraint by Private Sector

Country	% Respondents that see lack of infrastructure as problematic	Rank (out of 14 possible constraints)
Armenia	9.0	5
Azerbaijan	7.1	5
Kazakhstan	9	5
Kyrgyz Republic	3.8	10
Tajikistan	9.6	5
Uzbekistan	10.6	4

Source: *World Competitiveness Report*, 2007

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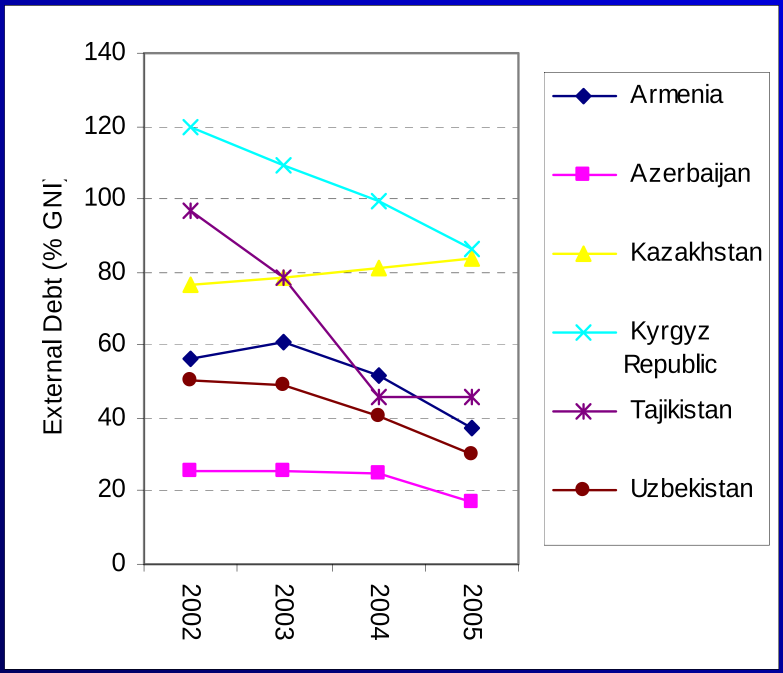
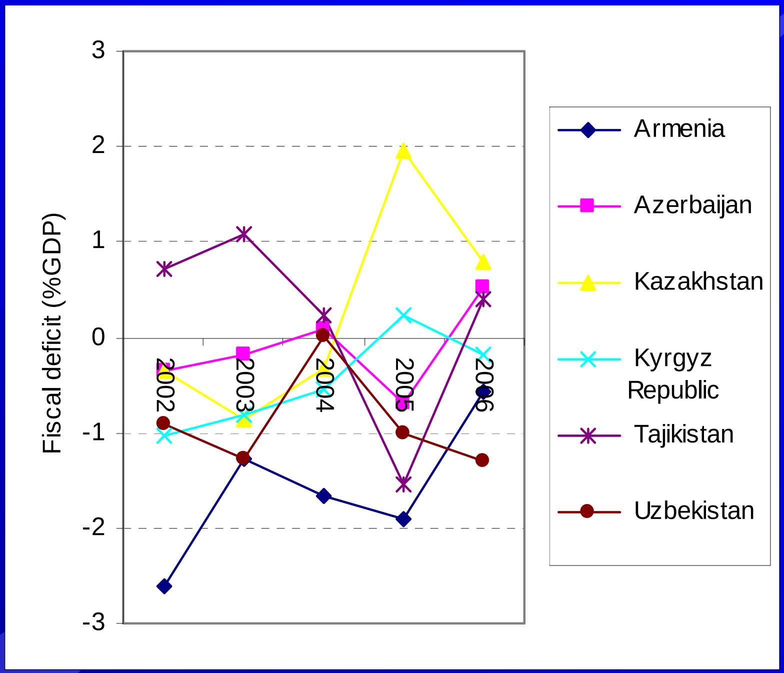
CAREC Governments Main Financier of Infrastructure - Investing Less than 50% of $12 Billion Required Annually



Source: *Key Indicators*, ADB



Source: *Key Indicators*, ADB

BUT - *Focus on Reducing Debt and Fiscal Deficits will Constrain Increases in Public Sector Investment*

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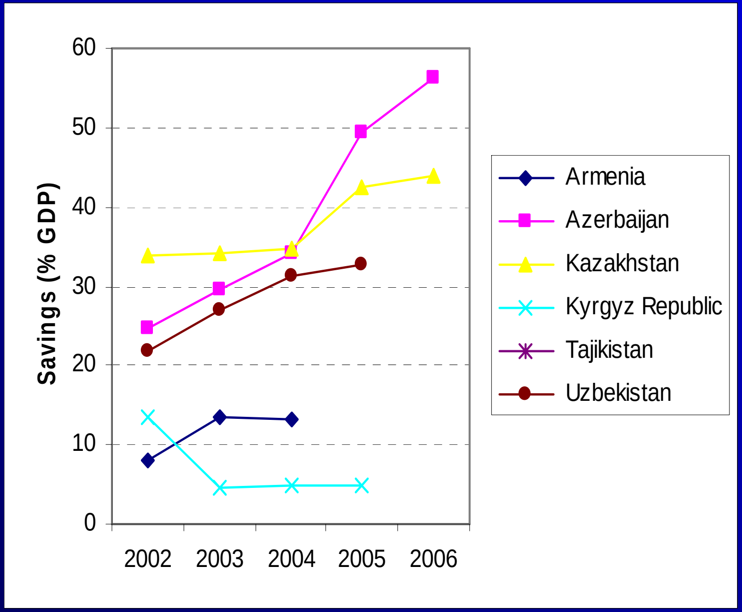
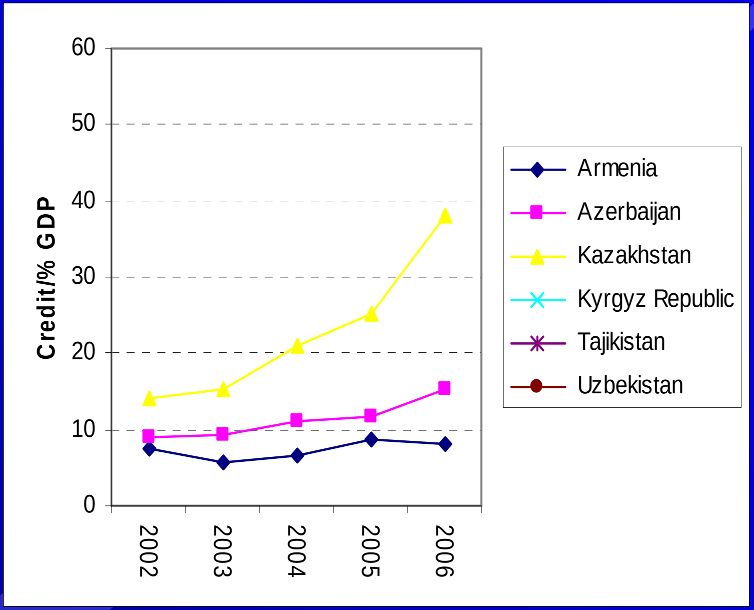
Private Sector Investment –
Capital Markets and Domestic Credit Evolving and Limited





Source: *Key Indicators*, ADB

Source: *IFS*

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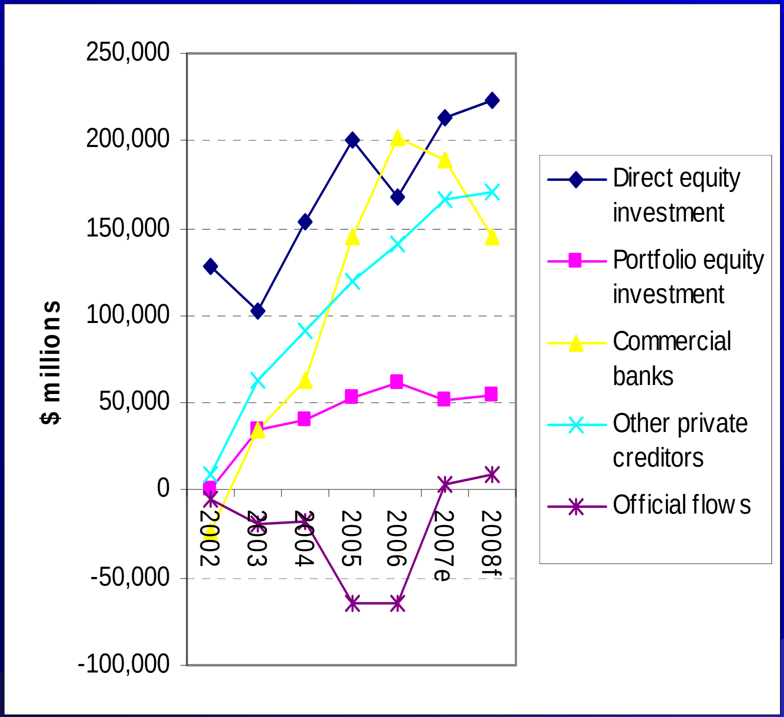
Private Sector Investment –
FDI is Dominant Source of Finance in Emerging Markets

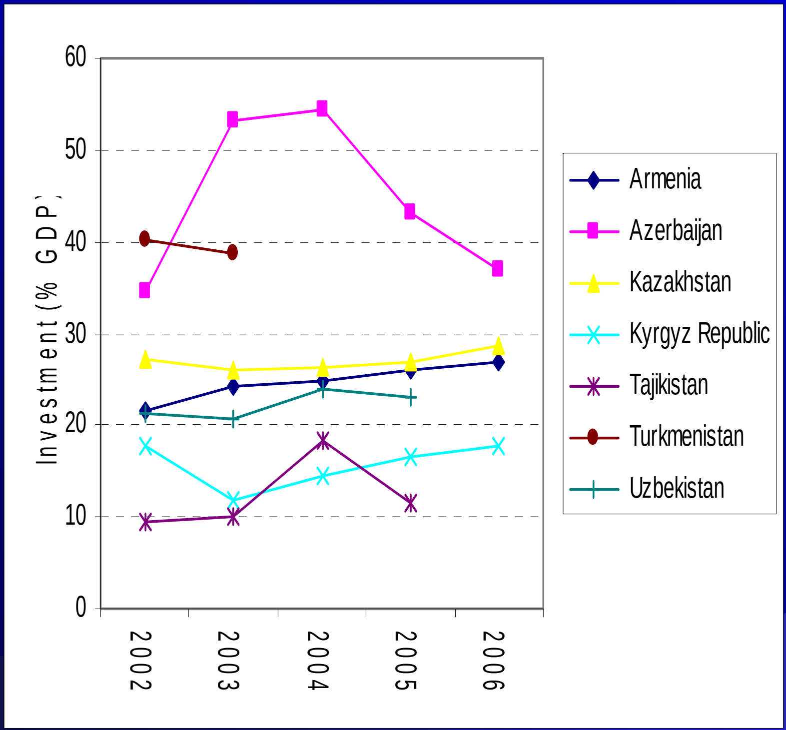


Source: *Institute International Finance, October 2007*

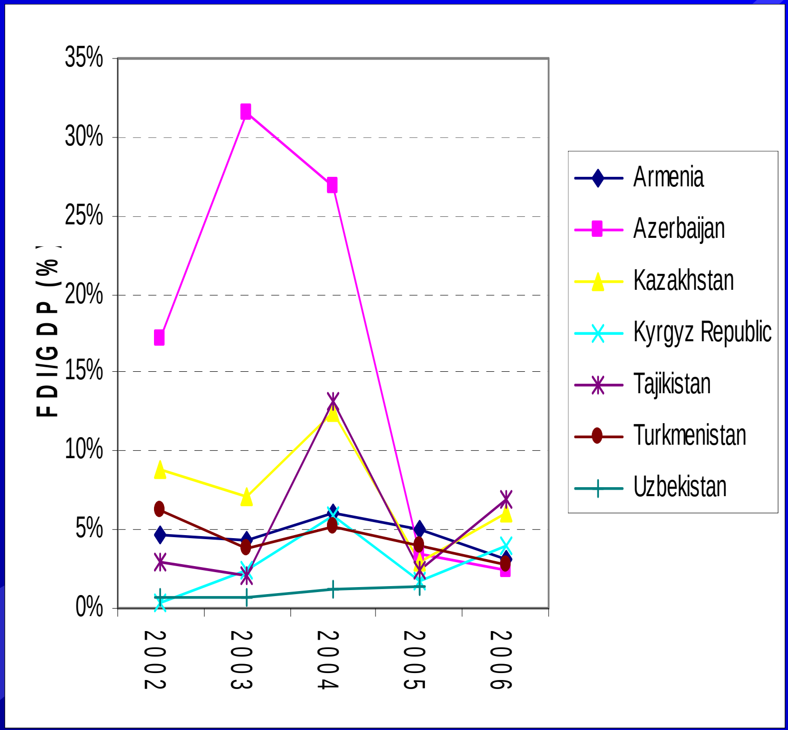
Assets under management, 2006	$ trillion	CAGR
Pension funds	21.6	5
Mutual funds	19.3	8
Insurance assets	18.5	11
Petrodollar assets	3.4	19
Asian Central Banks	3.1	20
Hedge funds	1.5	20
Private equity	0.7	14

Source: *The McKinsey Quarterly, December 2007*

FDI Performance Varies
- High in Oil-Based Economies

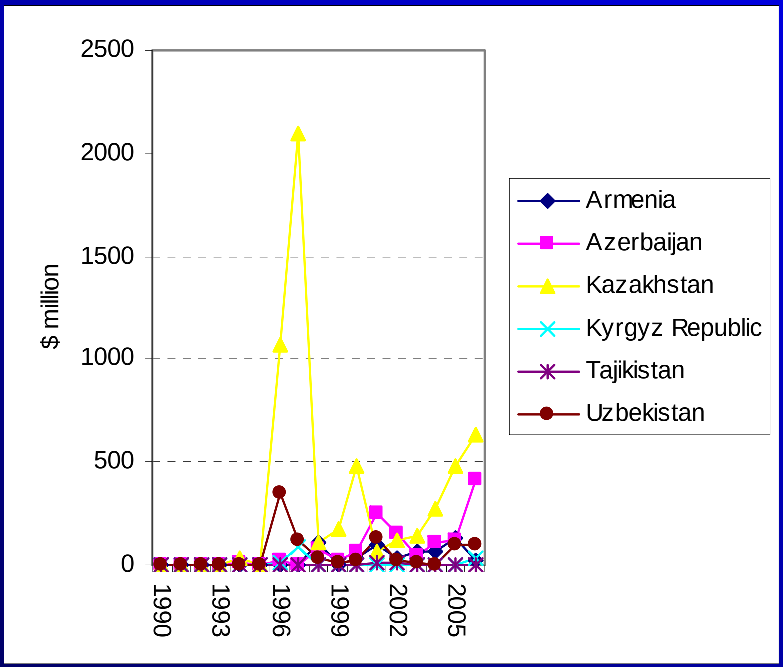


Source: *Key Indicators*, ADB

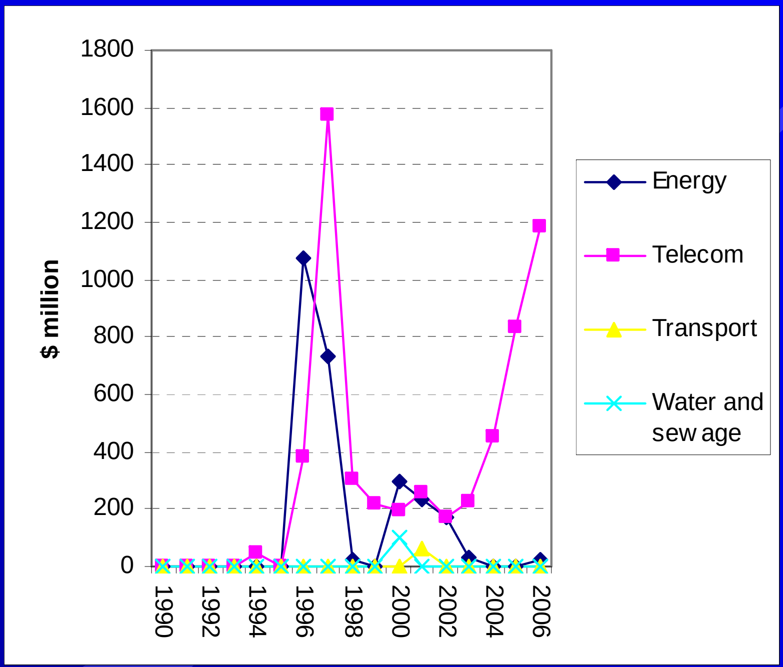


Source: *Key Indicators*, ADB

FDI Attracted to Telecommunications - Limited Flows to Energy & Transport



Source: *World Bank PPI database*



Source: *World Bank PPI database*

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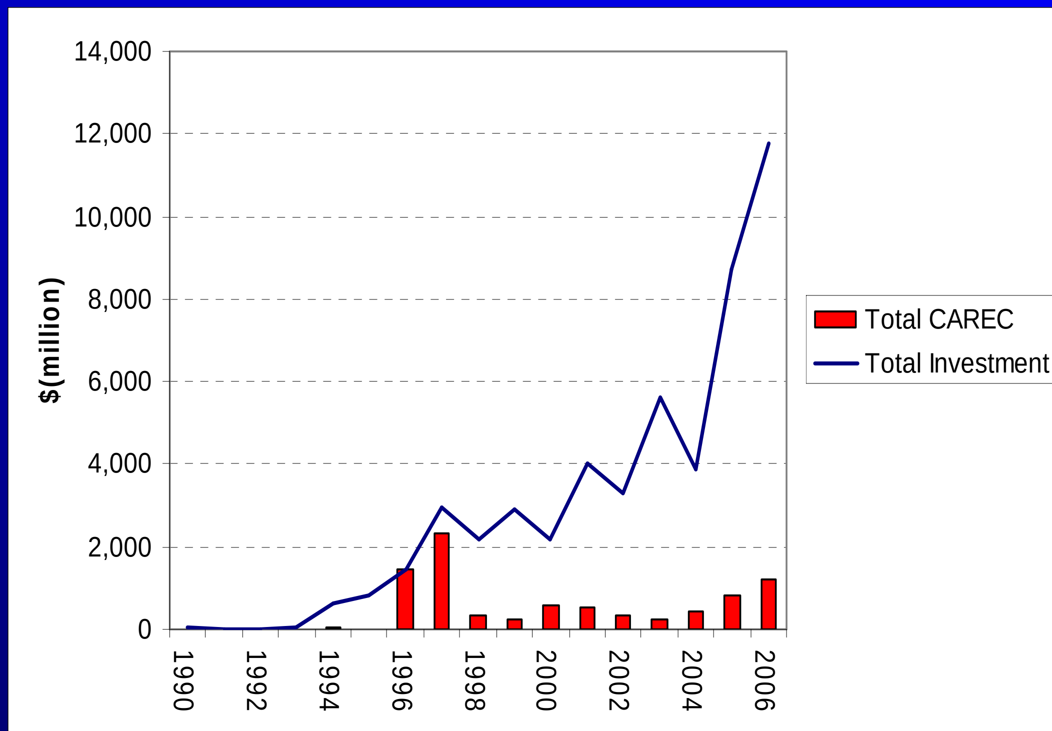
FDI Potential for Infrastructure Development - Forecasted at Trillions US$

- Drivers of FDI include global economic growth, competitive pressures in developed economies and improvements in business environments in emerging markets
- Global financial turbulence is leading to downward revisions in economic growth forecasts, but this should be short term
- The main constraints on FDI are political, macroeconomic, and regulatory risks
- Of projected global FDI - 16% to Emerging Markets (EM)
- PRC will remain the largest recipient, with almost 6% of the global total
- India, Russia and CIS states will continue to be important beneficiaries of FDI

Global PPI ...
CAREC Opportunity



Source: *World Bank, PPI database*

PPPs – Opportunity to Catalyze FDI for CAREC Infrastructure Development

- PPPs a mechanism to attract FDI
- PPPs an opportunity to attract foreign investors with leading edge technology and skills
- PPPs an opportunity to obtain infrastructure at a lower cost thru competition and innovation

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