



**Private Sector Participation and Investment
in Physical Infrastructure for CAREC**
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Opening Remarks

by

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Dean Kawai, Distinguished CAREC officials and colleagues, resource speakers from private sector and also our colleagues from European Bank for Reconstruction and Development and Islamic Development Bank, ladies and gentlemen, a very good morning to you all.

It is a pleasure to welcome you to this seminar on "Private Sector Participation and Investment in Physical Infrastructure for CAREC." This seminar represents a significant partnership between the newly established CAREC Institute and ADB Institute. As many of you know, the CAREC Institute was endorsed at the 6th CAREC ministerial meeting in Dushanbe last year. The CAREC Institute operates today as a virtual institute, and, its purpose is guiding and supporting the work of the CAREC program through research and knowledge exchange.

Late last year, the CAREC Institute approached Dean Kawai and ADB Institute and proposed this seminar. This seminar is the first major initiative of the CAREC Institute. The subject is timely as the requirement for infrastructure financing in CAREC countries is great.

Yesterday we certainly heard a lot about the need for investment in infrastructure during the outreach event held for the Japanese development and private sector community. Clearly, connectivity is essential for this region within the countries, between the countries, and beyond the countries. It is essential, of course, for trade and access to markets. However, for energy and transport, the investments needed are very large. Dean Kawai mentioned \$12 billion a year of investment. Yesterday, when we discussed the CAREC trade and transport facilitation strategy, \$20 billion worth of investment over the coming 10 years was identified. These investments are clearly beyond the financing capacity of governments, and also, of financial institutions. We have heard yesterday that multilateral institutions are providing about \$1.2 to \$1.4 billion a year. This is a contribution but it is small in relation to the investment requirements. It was also explained yesterday that infrastructure investment alone is not enough. For infrastructure to work properly, it has to be combined with management and technology. This is a critical combination for

success. To meet these demands, we need a partner. We need a partnership with the private sector.

There are many benefits that public-private partnerships or PPPs can bring to the equation. They can be an alternative to traditional public sector investment, freeing up funds for other uses. I think in the case of Central Asia, it is going to be more looking for additionality of resources, additional resources to accelerate investment programs. PPPs can also facilitate technology transfer that I have just mentioned and contribute to improved operation and maintenance of public utilities and facilities. Well-designed PPPs can draw upon the different strengths of both the public and private sectors, and this includes allocating the risk to the partners who are best equipped to manage them. That is a very important aspect for private sector participation.

For these reasons, ADB sees PPPs as a very important element and strategy of CAREC countries to achieve their infrastructure target for the next 15 years. Today, private sector participation in infrastructure is not a feature in the CAREC region but it presents a significant opportunity whether for very simple things like performance-based road maintenance contracts, or for more complex things like toll roads, or private power producers. There are opportunities and we need to consider PPPs in the equation. The immediate challenge, however, is to establish the enabling environment for PPPs in CAREC countries. Much of the works involves policy and regulatory reforms. Predictability and consistency are required with respect to such aspects such as property rights, mechanisms for conflict resolution and arbitration, and rules for repatriation of funds. Also, transparent rules and regulations at the sector levels are needed.

This seminar has specially been designed to provide you with the tools and skills to bring about appropriate policy settings to enable your countries to successfully attract and implement PPPs. Over the next three days, our resource speakers will share their knowledge of what is possible and what is not possible in the area of public-private partnership in the CAREC region. I am confident that this seminar will give you a better understanding of what is needed at country, sector, and project levels to move forward in the area of PPPs. With this knowledge we hope that each of you will be better placed to formulate policies in your respective area of work and to plan and implement future investment projects in your countries. I hope you will find it worthwhile. Thank you very much and good luck.