



**Private Sector Participation and Investment  
in Physical Infrastructure for CAREC**  
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**Welcome Remarks  
by  
Masahiro Kawai, Dean, ADB Institute**

Distinguished participants, resource speakers, ladies and gentlemen: Good morning.

It is my pleasure to personally welcome you to the Asian Development Bank Institute (ADBI) for the seminar on 'Private Sector Participation and Investment in Physical Infrastructure for CAREC'. This seminar is very much a collaborative effort. We are pleased to co-organize this event with ADB headquarters' Central and West Asia Regional Department. In addition, our other development partners—the European Bank for Reconstruction and Development (EBRD), the Islamic Development Bank (IsDB), the World Bank and experts representing private-sector investor interests—have all joined in the development and delivery of this event.

Over the last two decades, the Central Asia Regional Cooperation (CAREC) region has experienced a dynamic transformation and remarkable economic growth, particularly in countries with significant petroleum resources, namely, Azerbaijan, Kazakhstan, and to a lesser extent, Uzbekistan. The average GDP annual growth rate in Central Asia from 2002 to 2007 was about 10%, the best performing region in the world. In the medium- to longer-term, the macroeconomic outlook for CAREC countries continues to be promising with GDP growth anticipated at rates among the highest in Asia and globally. With this performance, according to ADB estimates, by 2015 the region can double its per capita GDP to about US\$2,000 and halve the average national poverty ratio to 24%. While rising global demand for natural resources benefits CAREC countries and underlies this forecast, political stability and further improvements in institutions and governance, the investment climate, private sector development, and regional cooperation and integration will also be critical to realizing such a strong performance.

Set at the crossroads of Europe, Russia and East and South Asia, access to high quality but affordable infrastructure services across the CAREC region is a key driver to achieving sustained economic growth, continuing social development and poverty reduction. I understand access rates in many CAREC countries are comparable to those of Europe. However, many of the existing infrastructure networks were established during the Soviet era, and now urgently need modernizing and expanding—in order to realize the economic potential of resource-rich CAREC countries through reductions in the cost of trade and production, gains in productivity, and rises in business sector profitability. All these will provide greater opportunities for economic development, growth and social progress.

CAREC infrastructure investment needs—particularly for transport, gas and oil, and hydropower generation—are estimated at US\$12 billion per year, or more than 8% of GDP. With growing fiscal constraints and competing needs for public spending, CAREC governments are encouraged to promote private sector participation and investment in order to meet these infrastructure needs. Public-private partnerships (PPPs) can bring in not only necessary funding but also technical innovation and management expertise that are essential for more efficient service delivery. Experiences from many parts of Asia and the rest of the world indicate that, to be successful, countries need to enhance their legal and regulatory environments, and policy and institutional frameworks through reforms aimed at creating enabling and business-friendly environments and improving investor confidence. On the funding side, efficient financial intermediation is essential to mobilizing Asia's large pool of savings as well as global funds to support the CAREC region's "bankable" projects. Needless to say, creating attractive "bankable" projects is an urgent priority.

Regional cooperation for infrastructure development among CAREC countries is indispensable for sustaining economic development and growth in Central Asia. To secure needed resources in a complementary way—by selling surplus resources of one kind and buying other kinds of resources in shortfall—CAREC countries need to develop cross-border physical connectivity with each other. To reach global markets, these land-locked countries need to strengthen not only intra-regional connectivity but also connectivity with outside markets. In sum the CAREC economies must integrate domestically, and with neighboring countries and beyond through infrastructure cooperation. Better infrastructure

networks can support cross-border movement of goods and people, attract more foreign investment, raise productivity and competitiveness, and accelerate the economic transformation of participating countries, thus contributing to greater stability and prosperity in the region.

To ensure the effectiveness of physical infrastructure operations, CAREC countries should also cooperate to improve and harmonize regulatory, procedural, and technical standards as well as environmental, social and other safeguard requirements. These “software” aspects of infrastructure can help reduce risks and lower transaction costs for cross-border infrastructure development. Strong local capacity—both human and institutional—is essential to effective regional cooperation and implementation of “software”.

The seminar is intended to be highly interactive, so that all of the participants—particularly the region’s key policy-makers and private-sector experts—are expected to engage in open, constructive dialogue with each other. I hope you will debate frankly on international best practices, their applicability to the CAREC region and workable approaches and solutions in the region. I hope you will share various experiences—both successful and not so successful—and exchange views on lessons learned in infrastructure development in your respective countries and sectors. I hope this interaction will provide deep insight into what priority measures are needed to effectively promote PPP in infrastructure in the region and how “bankable” infrastructure projects can be designed and structured.

By the end of this seminar, I hope you will have developed an inventory of “bankable” projects. This inventory will be shared with ADB headquarters, other multilateral development banks, international and regional agencies, bilateral financing institutions, and most importantly those in the private-sector investment community, so that such “bankable” projects will indeed be materialized. I also believe that you can collaboratively produce practical recommendations to promote dynamic public-private partnerships for infrastructure development in the CAREC region.

Once again, welcome to ADBI. I wish you all fruitful deliberations and an enjoyable stay in Tokyo.