



# Financing Connectivity in North and Central Asia

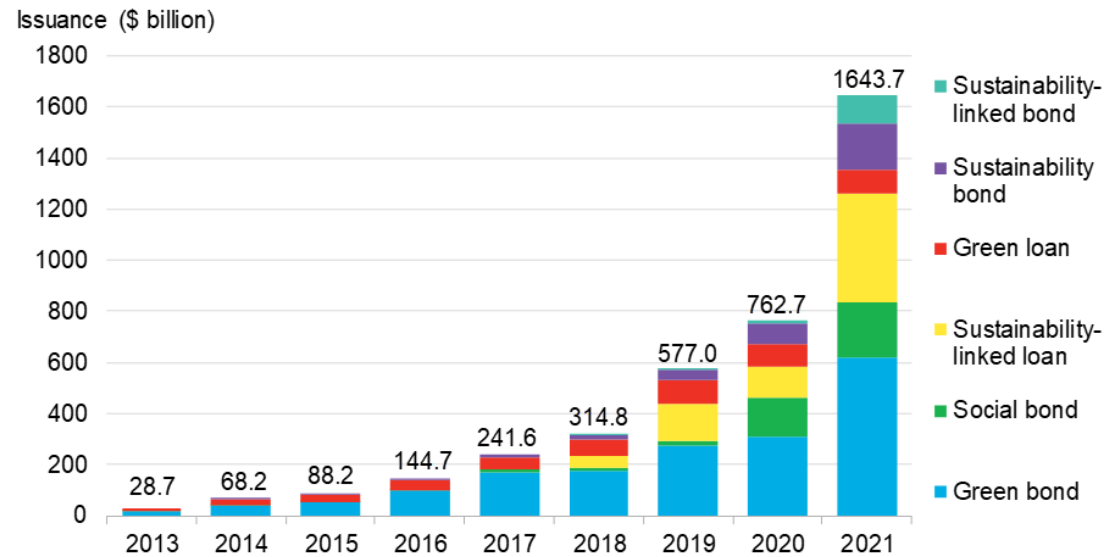
## Opportunities and Challenges

Presenter: Jannat Salimova-Tekay

June 2023

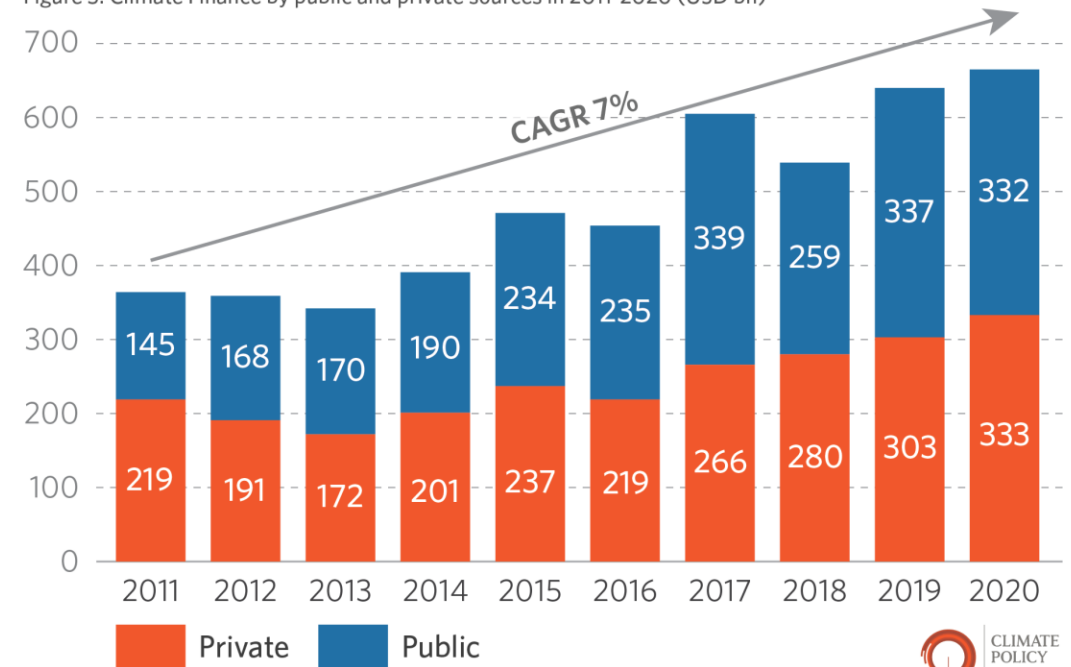
# Global Development Finance

Figure 1: Annual sustainable debt issuance, 2013-2021



Source: BloombergNEF, Bloomberg L.P.

Figure 3: Climate Finance by public and private sources in 2011-2020 (USD bn)



Sources: Bloomberg NEF and Climate Policy Initiative

# Infrastructure Finance: Region's Key Sources

## State

State budgets and SOEs are among the major providers of financing for projects in North and Central Asia, via tariff subsidies, capital grants and in-kind contributions, subject to availability of fiscal space.



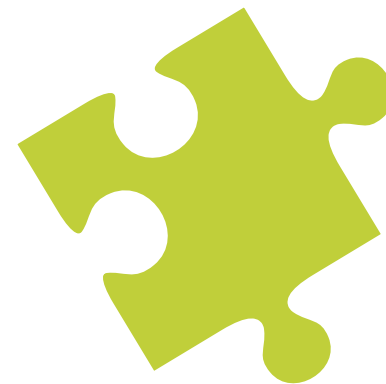
## PPP

Public-private partnership is fast emerging as the procurement mode with a promise deliver modern, large-scale infrastructure in energy, transport and ICT connectivity.



## DFIs

The preference to use financing from DFIs is usually explained by more efficient procurement and the fact that loans often come with technical assistance aimed at reform agenda and/or capacity strengthening elements.



## Local Markets

While local banks are yet to become a noteworthy source of infrastructure financing, there are cases of projects having raised local currency bonds.



# PPP Frameworks, LLDCs

Country	PPP Law Adopted	Comments
Armenia	June 2019	Mostly used for urban infrastructure. Two airport projects
Azerbaijan	December 2022	Not yet used for transport
Kazakhstan	October 2015	One of the early starters. Active use of PPP for transport projects and ICT.
Kyrgyz Republic	August 2021	Limited use of PPP for transport until now
Tajikistan	December 2012	Notable projects in energy and ICT
Turkmenistan	June 2021	New law, no projects yet
Uzbekistan	May 2019	Mostly used for energy projects,





Source: World Bank PPI Database, <https://ppi.worldbank.org/en/ppi> accessed May 2023

# PPP Frameworks, Transit Countries

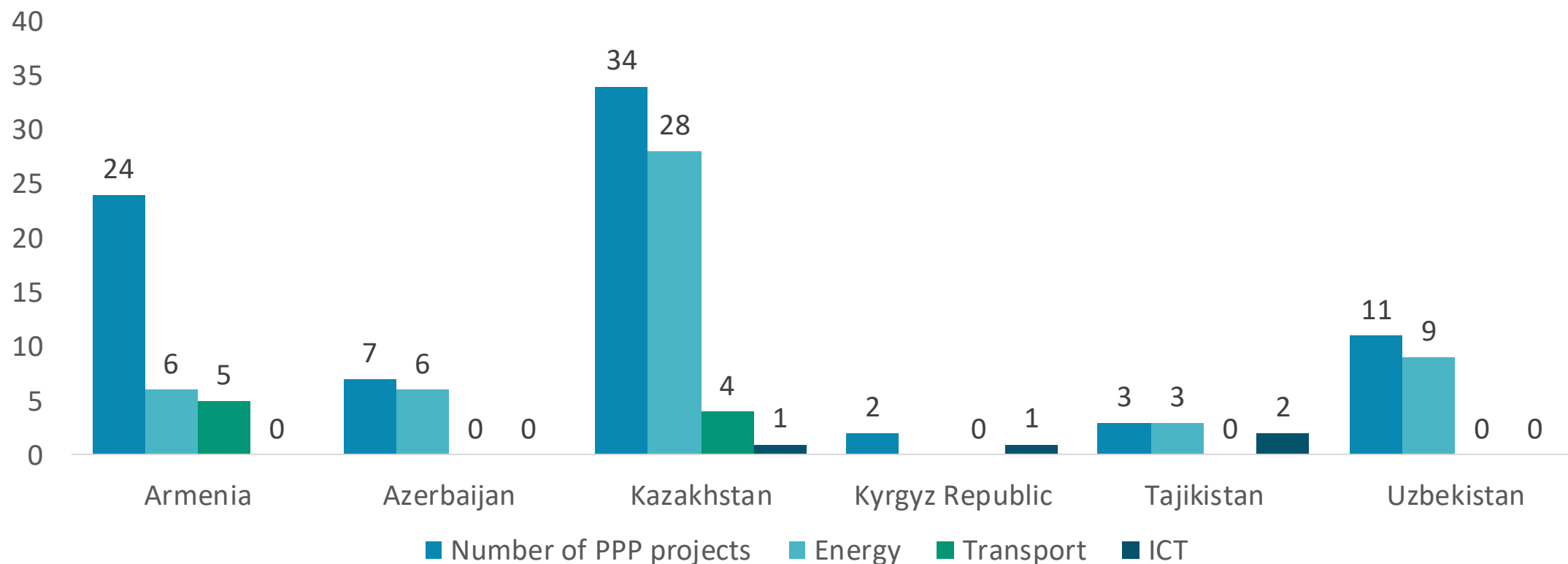
Country	PPP Law Adopted	Comments
Georgia	December 2012	Transport projects include airports and sea ports and terminals
Russian Federation	July 2005	Most of the notable projects have been structured in accordance with municipal/regional laws.

Source: World Bank PPI Database, <https://ppi.worldbank.org/en/ppi> accessed May 2023

# PPP Frameworks: Common features

- Legal Systems**  **Civil law** legal systems in all of the North and Central Asia countries. The PPP Laws are the main legal acts defining the institutional roles, procedural arrangements, and boundaries of state support.
- Contract Types**  **DBFOM** is the most preferable contract type. Wide use of BTOs and concessions. Some countries practice the so-called “institutional PPP”, e.g. joint ventures between state-owned enterprises and private investors.
- Sectors**  **Renewable energy** has benefitted the most throughout the region. Among the transport sector segment, **airport concessions** are now present, or in progress, in all countries of the Central and North Asia region.
- Risk Sharing**  **FX comfort** is possible in all PPP frameworks of the region, although in some countries it is only available for projects meeting certain conditions. **International arbitration clauses** are possible in most countries, and so are LDAs.

# Number of PPPs: Energy, Transport, ICT



Source: World Bank PPI Database, <https://ppi.worldbank.org/en/ppi>, accessed May 2023

Note: only LLCs. Data on Turkmenistan is unavailable

# Multilateral Initiatives



**The Central Asia Regional Economic Cooperation (CAREC) Program** is a partnership of 11 countries and development partners working together to promote development through cooperation, leading to accelerated economic growth and poverty reduction. It is guided by the overarching vision of “Good Neighbors, Good Partners, and Good Prospects.”



**The Belt and Road Initiative (BRI)**, known also as the One Belt One Road, is a global infrastructure development strategy adopted by the Government of the People’s Republic of China in 2013. As of January 2023, 151 countries were listed as having signed up to the BRI. The participating countries include almost 75% of the world's population and account for more than half of the world's GDP.



**The Intergovernmental Commission (IGC) TRACECA** is open for all the initiatives promoting the development of regional transport dialogue and ensuring the efficient and reliable Euro-Asian transport links, promoting the regional economy on the whole. TRACECA corridor is involved in gradually developing trends of trade and economic development. Major traffic flows passing through a corridor formed on the one hand, in Western and Central Europe, and on the other - in Central and South-East Asia. All countries of North and Central Asia except Turkmenistan are members.



# Trans-Eurasian connectivity: opportunities



## Abundance of Projects

The region offers a **strong pipeline** of well-defined projects in renewable energy, rail, road and air transportation, a multitude of developments in logistics and transshipment terminals, as well as ICT.



## Growth Potential

Central Asia adds 2 million in population ever year. Reaping this “demographic dividend” will require massive infrastructure investments. The effects of climate change will also require addressing through additional investments in mitigation and adaptation.



## Backing from IFIs

There is widespread support of infrastructure connectivity among a multitude of **national, regional and multilateral development banks, agencies and institutions** who offer financing, technical assistance and knowledge transfer.



## Geopolitical Shifts

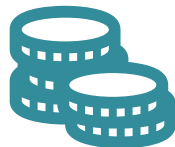
**The geopolitical challenges** have shifted the focus of international investors to North and Central Asia and to the Middle transport corridors. Freight volumes passing via Central Asian region alone more than tripled during during 2022 and could rise to between 18 million tons by 2030, conditional on transport capacities expansion.

# Trans-Eurasian connectivity: Challenges



## Fiscal Space

North and Central Asia countries are low- to middle-income with strong dependence on remittances and agriculture, making them vulnerable to external shocks and limiting their borrowing capacity.



## Tariffs and Subsidies

Untransparent tariff setting practices, cross-subsidization among groups of customers and hidden subsidies deter investors from connectivity projects in the region.



## Political Stability

Political instability and everchanging regulatory environment are often quoted as the highest impediments to infrastructure private investment.



## Institutional Capacity

The institutional capacity of government bodies for infrastructure investment planning often lacks coordination at regional, national and local levels.



# Jannat Salimova-Tekay

Partner, Financial Advisory Lead

+77 01 788 3026

[jannat.st@unicaselaw.com](mailto:jannat.st@unicaselaw.com)

## Almaty:

Nurly Tau, Block 1B, office 204, 19 Al-Farabi avenue  
Almaty, 05000, Kazakhstan  
[+77 77 440 0004](tel:+77774400004)

## Astana:

Kunaev st. 29/1, BC Diplomat, 14th floor, office 1414.  
Astana, 010000, Kazakhstan  
[+77 02 777 8520](tel:+77027778520), [+77 71 504 0407](tel:+77715040407)

## Tashkent:

Mirzo Ulug'bek district, Mustakillik street, 7  
Tashkent, 100000, Uzbekistan  
[+998 90 959 0639](tel:+998909590639)

