

**THE SPEECH DELIVERED BY MR. TUGRUL ERKIN IN THE SEMINAR TITLED “THE
ROLE OF PRIVATE SECTOR IN INFRASTRUCTURAL DEVELOPMENT PROJECTS IN
CENTRAL ASIA” ORGANIZED WITHIN THE FRAMEWORK OF ASIAN
DEVELOPMENT BANK’S 38TH ANNUAL MEETING**

His Excellencies
Distinguished Participants

On behalf of the Foreign Economic Relations board and as the chairman of the Turkish-Eurasian Business Councils, I would like to welcome you to this seminar that we have organized in co-operation with the Asian Development Bank.

Today’s topic will be the infrastructure projects in Central Asia and the participation of the private sector in these projects. As a consequence of my assignments, I visit the Central Asian countries several times each year. In every country we go, we also travel around the cities and visit the industrial plants. In all of these countries we have observed one common fact. A very good and strong physical infrastructure was established in the past; yet afterwards this infrastructure started to deteriorate and break down because of not being cared for a long time.

In the Central Asian countries, beyond getting torn down, the physical infrastructure, which was established during the Soviet period, has become insufficient in qualitative and quantitative terms to fulfill the needs of the economies that are in transition from planned economy to free market economy. Especially because of the advancement in infrastructure technologies, most of them became unfeasible, outdated. In addition to this, a very significant fact, that is the environment factor, was not taken into consideration during the construction of these facilities. Today, aridness, drying lakes and rivers and oil basin problems are waiting to be addressed.

The governments of the regional countries are aware of the necessity to rehabilitate and modernize the infrastructure, particularly the energy, transportation, telecommunication and agricultural infrastructures, in order to attain sustainable economic growth, increase regional trade and attract foreign direct investment. Though, some initiatives have been taken accordingly, the efforts of the governments solely are not sufficient with compare to the size of the requirements.

Multilateral finance institutions like Asian Development Bank, World Bank and European Bank for Reconstruction and Development are also giving support and providing international finance to the investment projects in the Central Asia. Since the dissolution of the Soviet Union in 1991 and the regional countries’ declaration of independence, they have handed over at a level of 3-5 billion dollar to fund the infrastructural projects in the region.

There exists a cycle here. Think of a Central Asian country. This country needs a better infrastructure for her economic development; pipelines with higher capacity to export her hydrocarbon sources; uninterrupted electric and water resources for the enterprises to work non-stop; modern, secure road and railways to transport products to destination. Once these are realized, the national income of the country (GNP) will increase and this country will be able to make further investments on the infrastructure. Multilateral finance institutions are serving as pushing force in the cycle. However, in the long term, an additional factor, participation of private sector is also needed.

The total amount of the infrastructural investment made by private sector after the dissolution of Soviet Union within the five Central Asia countries together with Azerbaijan and Afghanistan is around 5.5 billion USD. Private sector naturally prefers to invest in the projects that bring higher profit and rapid return on capital. Therefore, we observe the fact that the private sector investments concentrate on specific fields: while the 55% of the declared amount of \$5.5 billion investment was made in the telecommunication sector, the 35% was made in the area of distribution of electricity.

It is actually the responsibility of the governments to enhance the contribution of private sector in infrastructural projects. When we look at Central Asia, we could see that most of the private sector investors within the region are foreign companies. Establishing a better and more suitable investment environment for the private sector by speeding up economic and administrative reforms, making infrastructure more attractive for investment through subsidies and purchasing guarantees, forming a more transparent legislative system and providing a safe environment by enabling functioning of arbitration are among the measures that the governments of the regional countries should undertake in order to support both foreign and local capital. However, the most important and effective factor is to assure that the political stability will last in the future.

His Excellency

Honourable Participants

Being aware of the needs in this region which Turkey has strong cultural and historical ties, Turkish private sector has concentrated its efforts to play a leading role in the provision of infrastructure in the region. The Turkish engineering companies play a service provider role in the infrastructural projects and make sure the maximum benefit to be taken from the investments by finalising the projects they carry in a most efficient way and in the shortest time. The total amount that the projects Turkish companies completed in Central Asia and Russia reached to 14 billion USD. They also made investments in this field. There are important Turkish investments particularly in the telecommunication, transportation and energy sectors. I would like to stress one characteristic of the Turkish construction companies and businessmen before completing my words. Generally, construction firms return their countries after completing the construction of the structures they undertake. In fact, this exactly happened in this way in Turkey. Compared to this, Turkish firms displayed totally different attitude in their activities in the former Soviet republics and transferred their earnings (profits) into new investments within those countries. Those investments were generally made in the areas that are most necessary, for example, hotels, airports, construction materials, textile industry etc. Thus, the total amount of investment that the Turkish companies, majority of which are construction based, made in this region totalled 7 billion USD, out of which 5.5 billion USD was spent in Central Asian countries. I wish these facts to be a criterion for ADB authorities in their shortlisting and evaluation.

I would like to conclude my words with expressing my sincere gratitude to firstly the Asian Development Bank officials and everyone contributed to the organisation of this seminar and stress readiness of Turkish private sector for co-operation in Central Asia both in infrastructure field and in other areas.

Thank you very much.