

Business Opportunities and Public–Private Partnership in Regional Development

Keynote speech by

Xiaoyu Zhao

Vice President, Operations 1

Asian Development Bank

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Introduction

Your Excellencies, distinguished participants, ladies and gentlemen. Good morning.

I join Vice President Greenwood in expressing the Asian Development Bank's heartfelt thanks and appreciation to the Government of the People's Republic of China, especially the Ministry of Commerce, the Ministry of Finance, and the Government of Xinjiang Uygur Autonomous Region, for hosting and organizing this Forum here in Urumqi. Indeed, the PRC Government has demonstrated its clear and unwavering commitment to the [CAREC Program](#) and to the promotion of private sector development in this very dynamic region.

I also thank all of you for participating in this Forum. Your presence and active participation will help lay the groundwork for harnessing private sector opportunities through the CAREC Program.

All of us gathered here today, from both the public and private sectors, have a common objective: to identify and take advantage of opportunities for doing business in the Central Asian region and beyond.

The countries participating in this Forum comprise a region that is vibrant, dynamic and an emerging frontier of growth and development. The challenge of reviving the age–old trading routes that once served the artery of Eurasian trade is as exciting as it is rewarding. For the next two days, we are privileged to have with us high-level officials and representatives of the private sector from the [CAREC region](#). We will hear from them about trade and investment opportunities in their respective countries. They have also set up their booths in this Forum's venue to provide detailed information on trade and investment opportunities.

My presentation today will focus on the role of public–private partnerships in economic development; private sector development in the CAREC Program; investment opportunities in the region; and investment opportunities through economic cooperation in CAREC.

Role of Public–Private Partnerships in Economic Development

Evidence in Asia and many developed economies suggests that a vibrant private sector and successful public–private partnerships play an important role in promoting economic development. Under competitive market conditions, the private sector is usually more efficient than the public sector in allocating resources, responding to market demands and expanding employment opportunities. To expand and deepen private sector participation in the economies of the CAREC region, governments will need to create an enabling environment for domestic and foreign private investors, and shift the role of government from owner-operator-producer to facilitator–regulator.

Our experience in ADB, however, has shown that an enabling environment alone is not sufficient to attract private investment. Genuine partnership between the government and the private sector is a prerequisite for a well–functioning market–oriented economy. The public and private sectors need to understand each other and, as partners, explore opportunities for private sector participation. Capacity and institution building in both sectors is also crucial in forging efficient and effective partnerships that will achieve tangible results. Moreover, there is an important role for development partners in the CAREC region in strengthening public–private linkages and promoting specific investment projects.

Public–private partnerships do work in Asia. ADB has provided technical assistance to help create the right environment for private investment through sector restructuring, regulatory framework development and tariff reform, to name a few. ADB also provides financing, co–financing, and guarantee facilities to catalyze private sector investments. In countries as diverse as India, the People's Republic of China, Sri Lanka, Viet Nam, and the Philippines, ADB has worked with governments and private sector developers to meet the challenges of efficiently and effectively providing essential infrastructure in areas such as power, water, roads, and ports.

As part of our trade finance facilitation program, we have been providing trade finance products to importers and exporters to help maintain, re–establish and enhance trade finance lines in our [developing member countries](#). Early this year, ADB signed trade finance agreements with banks in Azerbaijan, Mongolia and Uzbekistan. We believe that these agreements will bolster important links between private firms and their business partners in Central Asia and beyond.

Private sector development in the CAREC Program

Private sector development and public–private partnerships have always been high on the agenda of the CAREC Program and in the national development strategies of the countries represented at this Forum. In November 2005, a regional business roundtable was convened involving business and government officials from nine South and Central Asian countries. The outcome of the roundtable was the Bishkek Action Plan, which was subsequently endorsed by the 4th CAREC Ministerial Conference in Bishkek in November 2005. The Action Plan called for regional cooperation among the business communities, governments, and multilateral institutions for investments in infrastructure and business projects.

A number of events have since taken place to bring greater awareness to private sector participation and public–private partnerships in Central Asia. The first CAREC Business Development Forum in October 2006 here in Urumqi came out with recommendations for greater private sector involvement in regional economic growth. Some of the recommendations were on policy reforms with sector specific harmonization; public–private consultation mechanisms; and improved information flows for businesses and investors from within and outside the CAREC area for regional infrastructure and business opportunities.

Other events were held to deepen understanding of how to implement public–private partnerships. The seminar "Private Sector Participation and Investment in Physical Infrastructure for CAREC" in Tokyo in March, 2008, delved into the risks and rewards, international best practices, and modality requirements for public–private partnerships in the core sectors of the CAREC Program. Recently, CAREC PPP Awareness Workshops were held in various cities in Central Asia.

Overview of Investment Opportunities in CAREC

There are many private sector opportunities in the CAREC region. I'm sure that you will hear more about specific opportunities during the country sessions, so let me provide just a brief overview.

This CAREC region is a vast market for goods and services. It is blessed with abundant natural resources from oil, gas, minerals, and rare earth elements, as well as from agriculture for cotton and grain and from livestock for wool, hides and meat. Tourism potential is strong in this region of many scenic destinations. The region is also strategically located serving as an important land bridge between Europe and East Asia and for South Asia. It is situated in the middle of two of the largest and fastest growing markets in the world. In the European Union to the west, energy imports are expected to increase from 42% to 70% by 2020. And the People's Republic of China and the rest of East Asia to the east is experiencing double digit growth rates in demand for energy, raw materials and processed goods.

A key challenge in this region is to transform its resources into higher value goods and services. I believe this can only be achieved through genuine partnerships with the private sector. Private sector participation could be a catalyst to removing the challenges in the region by bringing capital, management and technology to infrastructure rehabilitation, and modernization both within the countries and across their national borders. Competition for capital for viable and profitable projects is especially difficult since the global financial crisis. National governments and multinational financial institutions could not meet the region's investment needs without private sector partnership.

Investment Opportunities through Economic Cooperation

This brings me to the topic of investment opportunities through regional economic cooperation. I'm sure you will agree with me that regional cooperation and private sector development are mutually reinforcing concepts. Regional cooperation enhances participating countries' access to additional resources and larger markets, which, in turn, brings about a climate conducive for domestic and foreign private investments. Regional cooperation can also provide regional public goods, including improved governance.

Importantly, regional cooperation helps minimize macroeconomic and financial risks in a globalized economy, including vulnerability to external shocks and contagion of crises in the region, and this can help boost investor confidence. Governments can lower transaction costs by improving physical infrastructure and the reducing institutional impediments to the cross-border movements of goods, people, and capital.

The potential for private sector participation stems from the six transport and trade corridors and the power projects in the CAREC Program. Six competitive transport and trade corridors require investments of over 24 billion US dollars from 2008–2017 to connect the Central Asia region to neighboring markets east, south, north and west. Projects under the Energy Action Plan are being identified, which will certainly require a significant amount of project financing.

These transport, trade and energy infrastructure projects need additional investments from the private sector as they become operational and profit generating. Some of these opportunities are identified in the design, construction, sourcing and maintenance of roads, rail, border crossing facilities as well as energy plants and substations. Along the transport and energy corridors, there is a need for industrial clusters to facilitate processing of natural resources and agriculture products and for adequate dry and cold storage with specific logistics services. The CAREC Program, along with national governments, is prepared to work with the

private sector using various modalities, such as joint ventures, franchises, concession agreements, and service, management or leasing contracts.

We are privileged to have with us experts from the public and private sectors for our panel discussions on transport, agriculture, trade facilitation and energy. We will strive to identify infrastructure, industrial and services projects in the region to forge concrete business and action plans towards bankable public-private partnerships.

Conclusion

Ladies and Gentlemen, the next two days will certainly be as exciting as they are informative. I hope they will also be equally productive.

The global financial crisis slowed our progress in public–private partnership development. However, the resolve and determination remains to further integrate Central Asian economies and exploit investment opportunities through regular and close interaction. We in ADB through the CAREC Program and our private sector operations are prepared to assist in identifying and transforming your business ideas into actionable and profitable plans for long term success.

Our challenges are many and difficult. We hope that this Business Development Forum will encourage [CAREC members](#) to work together — not just today, but each day in the future — to integrate and harmonize systems and lower any risk for investors. As the economic corridors and energy projects develop and the CAREC Program continues, we hope that private investors will view CAREC economies and those of its neighbors as receptive and willing to make the changes that are necessary for increased public–private partnerships.

Thank you.