

Leveraging ODA for infrastructure development



Tbilisi, 8 June 2017

Introduction

- There are tremendous opportunities and potential for development partners to support North and Central Asian countries in infrastructure financing.
- At the same time, it is clear that to meet the acute need of NCA countries for infrastructure, more ODA, including aid for trade, and Other Official Flows (OOF) are required beyond domestic resources

ODA to NCA for economic infrastructure

ODA to NCA for economic infrastructure (\$mn)

Country	2007	2008	2009	2010	2011	2012	2013	2014
Armenia	43	109	173	102	62	76	85	112
Azerbaijan	52	59	80	38	144	180	86	112
Georgia	96	179	185	211	149	286	284	237
Kazakhstan	98	146	82	46	14	29	42	20
Kyrgyzstan	21	24	30	56	99	82	109	120
Tajikistan	20	15	37	125	96	102	148	144
Uzbekistan	17	66	53	64	42	48	132	117
Turkmenistan	0	1	1	1	1	2	1	3

ODA from OECD-DAC countries

- Although development assistance has been an important source of finance from traditional donors, it has been declining in recent years and only a small fraction of them are spent on physical infrastructure development.
- Overall, Kyrgyzstan (around 12%) and Tajikistan (around 5%) received the largest amount of official development assistance (ODA) from DAC countries as a share of gross national income in the region
- The peak for ODA came at the end of 1990s (Kyrgyzstan) and early 2000s (Tajikistan) and has since gradually declined for the entire region (except for Kyrgyzstan where it grew again after 2013)
- Due to their upper middle income status, in Kazakhstan and Turkmenistan, ODA almost disappeared after 2005.

ODA from non-OECD DAC countries

- Worryingly, the share of ODA to GDP from OECD-DAC countries declined from 2002 to 2014 for landlocked developing countries (from 1.9% to 0.3%)
- Non-DAC donors have also undertaken South-South cooperation activities and provided financial resources although the available data are not as complete as that for DAC counterparts.
- Gross concessional flows for development cooperation (“ODA-like” flows) from six non-DAC Asian countries (Turkey, China, India, the Russian Federation, Thailand and Indonesia) to Asia-Pacific almost doubled from \$4.7 billion in 2010 to \$9.3 billion in 2014

Other official flows

- Assistance through national development financial institutions and export credit agencies
- Provide government-backed loans, guarantees and insurance to companies from their home country looking to do business in host countries
- Usually stipulate that materials, machines and sometimes labour for infrastructure projects are bought from their home countries
- Important as it may provide reassurance to other lenders who may not have the necessary expertise and monitoring capabilities to gauge political risks
- Majority of official flows from non-DAC countries is provided in the form of OOF eg China OOF three times ODA

Multilateral development banks

	ADB-Investment plans for countries by sectors 2017-2019 (USD million)				EIB-Signed in 2014-2016 (EUR million)				EBRD-ongoing (EUR million)			WB-approved in 2014-2016 (USD million)					IDBG-approved in 2014-2016 (USD million)		
	Transport	Water	Energy	Total	Transport	Water	Energy	Total (including other sectors)	Energy	Other Infrastructure	Total (includes noninfrastructure)	Transport	Energy	Water	ICT	Total (including other sectors)	Transport	Energy	Total (including other sectors)
Armenia	40	50	80	295	51	30	10	200	44	78	305	95	100	130	21	594			
Azerbaijan	200	125	790	1115				95	387	404	947	190		200	100	507	224		254
Georgia	479	110	50	739	300	100		777	294	58	720	354	60	99	40	721			
Kazakhstan	801	130	80	1201				200	1069	1131	2704	978				2416	273	75	790
Kyrgyzstan	160	88	150	493		20		90	97	86	267		25	43	3	252	12	60	117
Tajikistan	75	25	75	319			70	70	163	127	384			23	12	106	20	70	139
Turkmenistan	100		500	800						1	53							700	700
Uzbekistan	580	340	2605	3930						2	8	445	150	105	20	1173			

New regional financial institutions

- New regional initiatives and infrastructure funds are increasingly being recognized as important for infrastructure development
- Examples include:
 - the Asian Infrastructure Investment Bank (AIIB) which provides loans
 - the Global Infrastructure Facility, and the Asia Pacific Project Preparation Facility, which primarily function as facilitators or coordinators for investors of infrastructure development.
- Since NCA countries typically lack a local investor base, the involvement of such new initiatives may be decisive for international investors entering these markets.

Belt and Road Initiative

- The China-led Belt and Road Initiative (BRI) is a development strategy and framework to establish a network of regional infrastructure to promote trade, investment, and economic integration.
- Several financial institutions, including AIIB, NDB and the Silk Road Fund, are expected to contribute to the initiative
- Multiple possible benefits
 - Extra financing source
 - Improved intraregional and China link

Belt and Road Initiative (cont.)

- However there are risks
 - Increased debt
 - Deindustrialisation
- It is important for countries involved to work closely to maximize the benefits and minimize the risks
 - Cost-benefit analysis for companies and governments
 - Good coordination across countries
 - Good project planning meeting international standards

Thank you



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