

# IFC Advisory Services in Public-Private Partnerships

## Europe & Central Asia



IFC Advisory Services in Public-Private Partnerships in Europe and Central Asia (ECA) provides assistance to governments to develop, promote, and execute infrastructure projects with private sector participation. Our advice spans all stages of a transaction from project preparation and structuring to transparent bidding processes and contractual signing.

Since the early 1990s, IFC has been a trusted advisor to governments in the region. From the initial public offerings in Russia, to the implementation of landmark PPPs such as Kosovo's electricity distribution privatization or Albania's power sector PPPs, IFC's involvement has resulted in public services that meet EU standards, comply with the most progressive climate change requirements, and are affordable for the people.

The crisis in the Eurozone continues to significantly affect most economies in ECA. A protracted recession and slow recovery further aggravate the persistent unemployment in some parts of the region, which in turn has long-term implications for competitiveness and social inclusion. In spite of the unstable and volatile operating environment, in 2013 IFC's public-private partnerships advice mobilized some \$470 million of private sector investment. This is expected to provide improved access to infrastructure for some two million people.

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IFC works closely with many partners including: Australia, Austria, Brazil, Canada, France, Ireland, Italy, Japan, Kuwait, Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom, the United States, the Public-Private Infrastructure Advisory Facility, the Global Partnership on Output-Based Aid, the Private Infrastructure Development Group, the African Development Bank, the Asian Development Bank, the Brazilian Development Bank, the Caribbean Development Bank, the Central American Bank for Economic Integration, the European Investment Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, the Infrastructure Consortium for Africa, and the Islamic Development Bank.

# Public-Private Partnership (PPP) Transactions in Europe & Central Asia

## **ALBANIA: HPP PRIVATIZATION (2013)**

As part of a broader energy sector reform effort, IFC advised the Albanian Ministry of Economy, Trade and Energy to privatize four hydropower plants (HPP) with a combined capacity of 76.7 MW—HPP Ulëz, HPP Shkopet, HPP Bistrica I, and HPP Bistrica II. The Turkish company, Kürüm International, was awarded the two tenders for the four plants. Kürüm is planning to rehabilitate HPP Ulëz to improve the reliability of power supply. All four HPPs will be operated in compliance with strict environmental conditions.

## **KOSOVO: ELECTRICITY DISTRIBUTION (2013)**

The successful unbundling and privatization of electricity distribution in Kosovo was a key component of the government's economic development strategy. IFC acted as the lead advisor in the privatization of Kosovo Electricity Distribution and Supply (KEDS), a transaction expected to improve access to electricity for 1.8 million people. A decrease in power outages will help stimulate economic development and investment, while reduced technical and commercial energy losses will lead to a significant reduction in greenhouse gas emissions.

## **KYRGYZ REPUBLIC: ZALKAR BANK (2013)**

Zalkar's Board of Directors and the Agency for Bank Reorganization and Debt Restructuring (DEBRA) retained IFC for guidance on the sale of Zalkar Bank. In May 2013, Russia's Investment and Trade Business Holding Company purchased 90 percent of Zalkar Bank's shares for approximately \$4 million, with the remaining 10 percent of shares reserved for the State Property Management Fund of Kyrgyzstan. The sale of Zalkar Bank is expected to improve its technical and financial capacities, modernize its commercial practices, and provide new services to its customers, ultimately making it a sustainable financial institution.

## **MOLDOVA: RADIOLOGY AND DIAGNOSTIC IMAGING (2011)**

Moldova's government has been reforming and modernizing its health care system, which suffers from insufficient funding and outdated equipment. To address these problems, the Moldovan Ministry of Health turned to IFC to attract private sector investors through PPPs in the health sector. Magnific, a Moldovan healthcare services provider, won the 12-year concession to renovate, construct, equip, and operate a new diagnostic imaging and radiology center at the Republican Clinical Hospital in Chisinau. This was the first PPP executed in Moldova and will serve as a model for further private sector participation in the country's health sector. The hospital will be able to provide modern and efficient diagnostic imaging services which are expected to benefit over 100,000 patients annually.

## **ALBANIA: ASHTA HYDROPOWER (2008)**

IFC played a key role in helping structure and implement the Astha hydropower plant project, Albania's first major hydropower plant construction in 30 years and the government's first large PPP in the energy sector. Verbund, Austria's largest electricity company, was the winning bidder of a concession to build and operate a new 53 megawatt hydropower plant expected to improve services for 170,000 people.

## **ROMANIA: DIALYSIS CLINICS (2008)**

IFC and the government of Romania completed a pilot program to convert dialysis clinics at eight public hospitals to private management and operation. Under the PPP contract, the private operator assumed full responsibility for renovating and equipping facilities; purchasing, maintaining and operating the equipment; procuring all medical supplies; recruiting, training, and managing staff; and treating dialysis patients according to the new national quality standards. The privately-managed clinics delivered higher-quality care at a lower cost to the government than their publicly-managed counterparts.

## **ROMANIA: RADIOLOGY AND LAB SERVICES (2003)**

The government of Romania requested IFC's assistance to reshape the country's health care system and encourage greater private sector participation. Under the first PPP, Colentina Hospital, a major public hospital in Bucharest, received a full range of radiology and imaging equipment and allowed the private operator to provide imaging services to both private and public patients, resulting in lower costs. A second PPP upgraded and re-equipped the laboratory, and improved the efficiency of the hospital's clinical services.

## **ROMANIA: BUCHAREST WATER (2000)**

The municipality of Bucharest was facing numerous problems in meeting the city's water and sanitation needs. Because of leaks in the distribution network and waste, water losses were nearly 50 percent, which together with an inadequate metering system resulted in low revenues. IFC advised the municipal government in introducing private sector participation to improve water services in the city. As a result of the transaction, the water quality has improved: in 2000, 69 percent of samples complied with the standard for residual free chlorine and, in 2009, 100 percent of water samples met or exceeded Romanian and EU quality standards. In addition, the combined water and sewerage tariff has been maintained below the average for other Romanian cities, losses have been reduced, services modernized and overall customer satisfaction has improved.

