

Interview with Angelo Dell'Atti, General Manager of Private Enterprise Partnership for Southeast Europe Infrastructure (PEP-SEI) for *Ekonomist Magazine*, Serbia
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1. Would you be so kind to tell us something about yourself, your experience from working in **international** institutions?

The past 15 years have been a very exciting and challenging period for the region; changes in the Balkans are now paving the ground for longer term stability and growth across the region. I have had the opportunity of working in this region during the same period of time, with different international organisations and in different roles, experiencing first hand as a financier, as an investor and now as an advisor the changes that the region is going through and the challenges that the governments and the citizens of the Balkans are facing. My experience is focused on infrastructure, the challenges related to its development and how to best involve the private sector in the provision of infrastructure services. IFC can add value in this process and I am glad of having the opportunity to personally contribute to the development process of the region.

2. What does PEP-SEI mean for the region of Southeast Europe – for the economy and for the policy? How do you coordinate IFC and PEP-SEI?

The Private Enterprise Partnership – Southeast Europe Infrastructure (PEP-SEI) is a program of the IFC, established in cooperation and with the financing of the governments of Austria, Italy, the Netherlands, Norway, Switzerland and the USA. The program was launched in the summer of 2005 and opened its offices in Sofia in October of the same year. PEP-SEI is integral part of IFC, specialised in assisting the governments in the region develop their infrastructure through the increased participation of the private sector.

Based on the Private Enterprise Partnership model IFC used successfully in other parts of the world, the program aims to make IFC the partner of choice for infrastructure advisory services in Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Montenegro, Romania, and Serbia. In the region, greater private sector management expertise and investment are needed to meet growing infrastructure services demand and accelerate economic growth. Against this background, public-private partnerships (PPPs) can be an important catalyst of infrastructure development and, through PEP-SEI, IFC provides advisory expertise for the structuring and implementation of PPPs. We focus on all infrastructure sub-sectors, helping develop, promote, and execute infrastructure projects with private sector participation (PSP) through project preparation, structuring, transparent bidding processes, negotiations and mobilizing financing.

PEP-SEI is part of the regional department of IFC responsible for Southern Europe and Central Asia and is also anchored in the global Advisory Services department based in IFC's headquarters in Washington DC. Therefore, we are able to benefit from a strong local presence and knowledge, while taking advantage of the global experience of IFC's advisory services. IFC has advised governments world wide in more than 100 projects in the development of PSP in infrastructure.

3. Are you satisfied with the results of PEP-SEI in 2005 and 2006?

Our team is extremely pleased with the results achieved over the past year. PEP-SEI is already working on five mandates on structuring and implementing PPPs in the region's infrastructure. In Albania, PEP-SEI is acting as Lead Adviser to the Ministry of Economy, Trade and Energy, on establishing a PSP-conducive Concession Law and PPP Unit, as well as on implementing one pilot PPP transaction in infrastructure, very likely in the energy sector, a key bottleneck in the country's development. In Bulgaria, our team is advising the Ministry of Regional Development and Public Works on restructuring Bulgaria's water sector by introducing PSP and realizing one pilot PPP project.

In Serbia, PEP-SEI is engaged in 3 projects: the mandate on Belgrade's Solid Waste is intended to result in a concession to the private sector to invest in, expand, upgrade, operate and manage the existing and only solid waste disposal site for the whole city; the second mandate is also with the City of Belgrade, which has retained IFC for the development of their water and sanitation systems through a PPP arrangement; finally, PEP-SEI is finalizing its mandate for Serbia's national carrier JAT Airways, and is proposing specific measures for the restructuring of the airline in order to attract PSP with the objective of ensuring the long term sustainability of the airline.

4. What was the best project that you achieved in these years?

The structuring and implementation of PPP projects in Infrastructure is a long and challenging process, where a multi-disciplinary approach, taking into account issues such as, social, environmental, labour, etc. must be correctly analysed and addressed. For this reason a well structured PPP takes typically in between 18 to 24 months to be implemented. As we said, PEP-SEI started operations only in October, 2005 and, therefore, we have not yet been able to complete a project cycle. Furthermore, our projects always involve stakeholders such as governments and municipalities, and our pace often depends on their complex decision-making process or the country's election cycle. Nonetheless, we have now completed the structuring of the Belgrade Solid Waste project, which shall start the bidding process in January 2007, this will be the first project that PEP-SEI will finalise.

5. Are you satisfied with the cooperation with the governments and other agencies in the region in the field of the improvement of PPP models?

The beauty of the Balkan region is that every country has its specific historical heritage, social challenges, etc. and, therefore, different political approaches and set-ups. Notwithstanding such great differences, our cooperation with the governments in the region has been positive so far. We believe that the countries our program covers have consistently worked towards achieving a better understanding of PPP models. Some countries have taken more courageous decisions with a more open approach towards PSP in infrastructure and we are proactively assisting them in specific projects, others are carefully examining the options and we are also assisting, as far as possible. Naturally, as our program is transaction based, we cannot provide our support until a government has taken the decision to develop its country infrastructure (or a specific sector within) with the participation of the private sector.

6. With which country do you have the best cooperation and in which sectors is this cooperation most effective?

So far, either directly or through the support of the World Bank Group, we have established excellent collaboration with all governments in the region. Naturally, such cooperation is much stronger where the Government has appointed us as their Lead Advisor: Albania, Bulgaria, and Serbia.

7. What are the other PPP projects which you plan to realize next year?

In terms of our already signed mandate, during the first quarter of 2007, our team expects to complete the work on JAT Airways and present the Serbian government with IFC's recommendations for restructuring and options for involvement of private sector participation in Serbia's national carrier. PEP-SEI furthermore plans to close the transaction on Belgrade Solid Waste in the summer of 2007 by assisting the Serbian government to successfully concession the disposal site to a private investor. We are also confident that both Bulgaria Water and Albania PPP projects will be substantially advanced during the year.

Most importantly, IFC and the donor countries have been positively impressed by the number of projects that are being proposed to PEP-SEI for our participation. It is quite clear that most of the governments in the region are realising the difficulty of developing at a sustained pace their key infrastructures and are considering more and more a PPP approach to face the growing demand. This has, in turn, generated a growing demand for PEP-SEI advisory services, which is in excess of the originally planned structure of the program. We need to carefully explore options for growth of the program and be selective in the projects that will warrant our intervention.

8. What is your opinion of the quality of experts and employees in the region of SEE?

I am very impressed with the educational background of experts and employees in southeast Europe. Most of the people I have encountered, have demonstrated a high level of technical expertise, a solid command of foreign languages, as well as a genuine openness towards innovation. Currently, more than half of PEP-SEI's staff is composed of employees from the region.

9. Can you tell us, for the end, what is PEP-SEI's plan for 2007?

Next year, PEP-SEI plans to advance several projects from our current pipeline to the stage of mandate signing. We have had discussions with government or municipality representatives from Bosnia & Herzegovina, Croatia, Macedonia, and Montenegro who have expressed the need to receive advisory assistance for structuring PSP in their infrastructure.

The first new mandate for the year will be signed on January 22, 2007 and involves the distribution activities of the Albanian Electricity Company (KESH). IFC will act as Lead Advisor to the Albanian Government on structuring a PSP transaction that will be conducive to private sector interest and participation and executing an open, transparent and competitive process to attract the optimal private partner to operate and develop the new entity. This mandate will have a positive trickle effect to the whole power sector and it is expected to yield significant economic and social benefits to the country and its citizens.