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PUBLIC-PRIVATE PARTNERSHIPS BRIEFS

Albania: Ashta Hydropower



Overview

The Ashta hydropower plant is Albania's first major hydropower plant construction in 30 years and the government's first large public-private partnership (PPP) in the energy sector. IFC advised the government of Albania on the structuring of the project and attracting a strong and reliable international investor.

In September 2008, the government signed a 35-year concession with Verbund (Austria's largest electricity company) to build and operate a new hydropower plant. Over a three-year period, the project mobilized \$262 million in private investment, increased Albania's power generation capacity by 53 megawatts, and delivered improved services for 170,000 people. Construction of the plant began in January 2010 and became fully operational in March 2013.

IFC's advisory work was supported by DevCo. DevCo, a multi-donor program affiliated with the Private Infrastructure Development Group, is funded by the United Kingdom's Department for International Development, the Dutch Ministry of Foreign Affairs, the Swedish International Development Agency, and the Austrian Development Agency.

This series showcases how the World Bank Group supports the development and implementation of public-private partnerships. This support comes in the form of public sector loans, private sector finance, sector and transaction advice, guarantees, and output-based aid.

Background

Albania, once a net exporter of electricity, had been unable to keep pace with increasing domestic demand. Power outages were common. Many parts of the country, including Tirana, the capital, suffered from extended daily outages. Even though hydropower accounted for more than 90 percent of total electricity, the existing hydropower plants dated back to the 1970s, with no additional investment since 1985. Despite good gross domestic product growth and a reformist government, Albania had trouble attracting international investors for large infrastructure projects.

Project Description

IFC structured the transaction as a 15-year concession, under which the concessionaire is responsible for designing, building and operating the plant. This structure responds to both the government's policy objectives and desire to move toward the European Union framework for the energy sector, and investors' requirements when investing in emerging markets such as Albania.

The Ashta hydropower plant is the most downstream hydropower plant on the Drin River cascade and is therefore affected by plants operating upstream. IFC drafted and negotiated a cascade coordination agreement to assure optimal operation of the entire cascade.

The transaction attracted numerous international companies, 10 of which were prequalified as capable of bringing strong expertise and the necessary investment.

Verbund, Austria's largest electricity company, won the bid and now holds the concession rights to operate the Ashta hydropower plant for 35 years. The plant's installed capacity is 53 megawatts.

World Bank Group Role

In 2006, Albania's Ministry of Economy, Trade, and Energy (METE) hired IFC to support the development of the hydropower sector through a PPP.

IFC drafted a new concession law that was adopted in early 2007 and helped METE establish a PPP unit. IFC identified an unfinished hydropower plant as the potential pilot transaction and developed a long-term PPP structure

whereby a private company would design, construct, and operate the new plant.

Specifically, IFC undertook the following key activities:

- Identified the site on the Drin River that would take advantage of existing infrastructure and minimize negative environmental and social impacts.
- Prepared an initial transaction structure and marketed it widely to international investors.
- Involved local communities through a program of public consultations to address their concerns and ensure their support of the project.
- Implemented the bidding process, also setting financial and technical prequalification criteria in line with international best practice and the government's strategic goals.
- Drafted the concession contract and bidding documents.
- Assisted the government with the final negotiations on project agreements with the winning bidder.

Outcomes

- The new concession law is providing a strong base for the development of PPP projects in the country.
- The know-how transferred to the government is allowing it to implement subsequent transactions efficiently and independently.
- The construction was finalized in less than three years with high construction quality, environmental protection, and safety standards. The plant became fully operational in March 2013.
- Electricity produced by the Ashta hydropower plant costs \$0.08 per kilowatt-hour, below the average import prices at the time bids were solicited.
- Over a three-year period, the project mobilized \$262 million in investment and the realized fiscal impact of the project was \$26.2 million.
- The project increased Albania's power generation capacity by 53 megawatts, and has improved services for 170,000 people (5 percent of the population).

** Unless otherwise stated, monetary values are presented in 2012 US dollars. Results are from a post-completion evaluation completed April 2013.*

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