

# PRIVATE PARTICIPATION IN INFRASTRUCTURE DATABASE

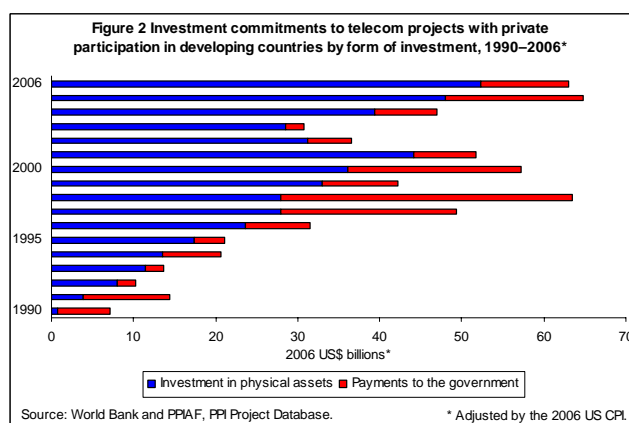
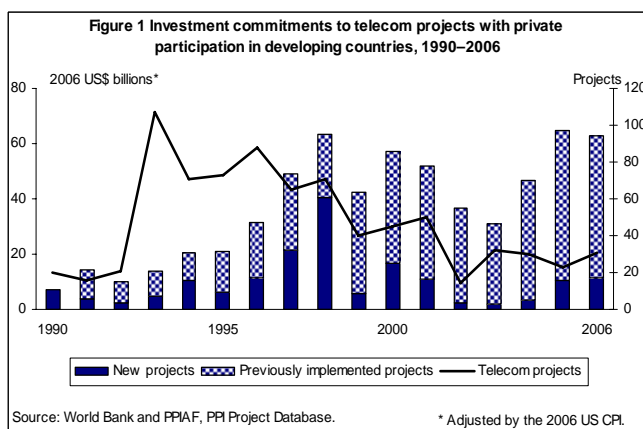
PPI data update note 7

November 2007

## Private activity in telecommunications remained stable in 2006

In 2006 investment commitments to telecommunications projects with private participation remained around the peak level reached in the previous year, according to just-released data from the Private Participation in Infrastructure Project Database.<sup>1</sup>

As in 2005, the high level of investment commitments (hereafter, “investment”) was driven by projects implemented in previous years. These attracted US\$51.6 billion in investment, while new projects accounted for US\$11.5 billion, bringing total investment commitments to US\$63.1 billion (figure 1).<sup>2</sup> When only investments in physical assets are counted—that is, excluding payments to the government (such as concession or lease fees and divestiture revenues)—investment in 2006 was the highest of the 1990–2006 period (figure 2).



Thirty-one telecommunications projects with private participation reached financial or contractual closure in 22 low- and middle-income countries in 2006. Of these projects, 21 were greenfield projects, involving investment of US\$4.6 billion. The other 10 were divestitures, with investment of US\$6.9 billion. Previously implemented greenfield projects accounted for another US\$35.3 billion in investment, and previously divested projects for US\$16.3 billion more.

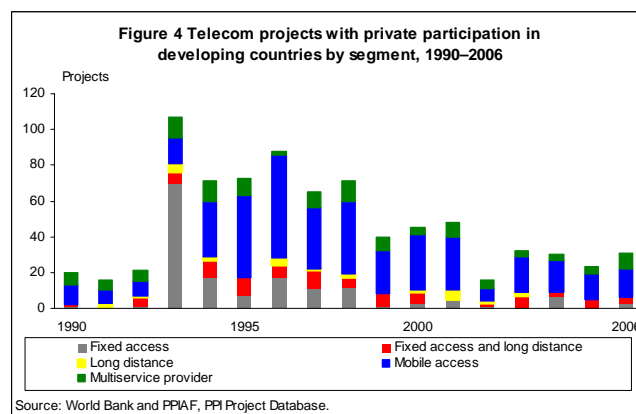
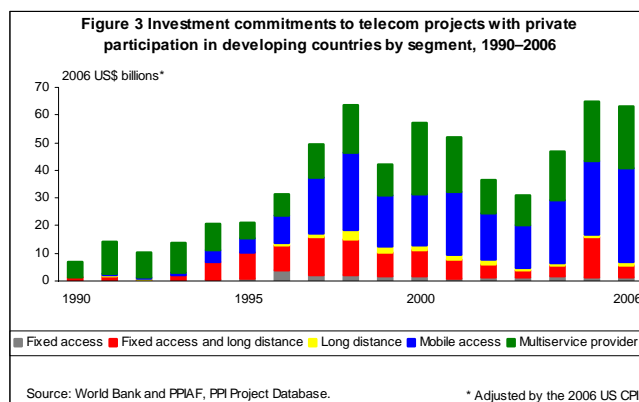
As in previous years, stand-alone mobile and multiservice operators accounted for most of the investment and new projects in telecommunications (figures 3 and 4). The concentration of activity in these segments was observed across developing regions.

**Activity by region.** Investment has become less concentrated by country in recent years. In 2006 the top 5 countries by investment—India, Brazil, the Russian Federation, the Arab Republic of Egypt, and Mexico—accounted for 40%, while the top 10 countries (with Nigeria, Pakistan, Serbia and

<sup>1</sup> Telecommunications includes projects that provide basic telephone services (fixed access and long distance) or mobile access using their own physical infrastructure. Not included are voice over Internet protocol (VoIP) services or operators providing services with leased infrastructure.

<sup>2</sup> Data on telecommunications contracts include primarily medium-size and large projects as reported by the media and other public sources. Small-scale projects are generally not included because of the lack of public information. Additional annual investments in some previously implemented projects may also have been omitted for the same reason.

Montenegro<sup>3</sup>, Tunisia, and Turkey added to the list) represented 58%. In the previous three years the top 5 countries had accounted for 47% of annual investment, and the top 10 for 62–68%.



In East Asia in 2006, investment in previously implemented projects amounted to US\$4.2 billion. Most of that investment went to mobile and multiservice providers in Indonesia and Thailand. The region had no new telecommunications projects. (For new projects by region, see tables below.)

In Europe and Central Asia investment in previously implemented projects totaled US\$14.4 billion. In addition, six countries had eight new projects for US\$3.7 billion, bringing total investment to US\$18 billion. Azerbaijan signed a new mobile license (Azerfon). Bosnia and Herzegovina divested Telekom Srpske, a state-owned multiservice provider. Estonia granted a mobile license to a new operator (Bravocom). Georgia divested United Telecommunications Company of Georgia and granted a new mobile license. The Kyrgyz Republic authorized a new mobile operator (BiMoCom). Serbia and Montenegro divested Telenor Serbia, a mobile operator formerly known as Mobi 063 and Mobtel that had been nationalized in early 2006. That country also granted a new mobile license (VIP Mobil).

Latin America and the Caribbean had investment in previously implemented projects of US\$13.5 billion. In addition, four countries had seven new projects with investment of US\$800 million, bringing total investment to US\$14.3 billion. Colombia divested the controlling stakes in Telefonica Telecom, formerly known as Colombia de Telecomunicaciones SA—the incumbent national fixed line and long-distance operator, and Colombia Movil, a mobile operator owned by the municipal governments of Bogota and Medellin. In addition, Telmex Colombia SA began providing fixed access and long-distance services. In Ecuador two fixed line operators began providing service. And Digicel began operating under new mobile licenses in Haiti and Trinidad and Tobago.

In the Middle East and North Africa previously implemented projects attracted investment of US\$2.6 billion, while three new projects had investment of US\$5.5 billion, bringing the total to US\$8.1 billion. Egypt awarded a 15-year 3G mobile license to Etisalat Misr for US\$2.9 billion, and the company began deploying its network, investing around US\$175 million. Tunisia divested a 35% controlling stake in Tunisie Telecom, the incumbent national fixed line and mobile operator, for US\$2.25 billion. And the Republic of Yemen partially divested its national mobile operator.

In South Asia investment in previously implemented projects amounted to US\$11 billion, while three new projects in two countries attracted investment of US\$370 million. Afghanistan granted two new licenses: one for mobile services (Etisalat Afghanistan) and the other for fixed and mobile services (Wasel Telecom). Bhutan opened its telecommunications market to the private sector by granting a mobile license to local investors.

Sub-Saharan Africa had investment in previously implemented projects amounting to US\$5.8 billion. In addition, seven countries implemented 10 new projects with investment of US\$1.1 billion, bringing

<sup>3</sup> Although Montenegro declared independence from Serbia and Montenegro on June 3, 2006, this edition of Private Participation in Infrastructure Projects Database continues to list and show data for Serbia and Montenegro together.

the total to US\$6.9 billion. Burkina Faso divested a controlling stake in Onatel, its incumbent fixed line operator, which also provides mobile access. The Democratic Republic of Congo signed a new mobile and fixed access license (Warid Congo). The Gambia authorized a new mobile operator (Comium Gambia). Guinea granted a new mobile license (Cellcom Guinea). Malawi divested a controlling stake in Malawi Telecommunications, its incumbent fixed line operator. Nigeria divested a controlling stake in Nigerian Telecommunications, another incumbent fixed line operator that also provides mobile access. With investment of US\$750 million, this divestiture was the region's largest new telecommunications project in 2006. Nigeria also signed licenses for three new multiservice operators: Danjay Telecoms, Gicell Wireless, and PresTel. Finally, the Seychelles granted a new mobile license.

**Potential new projects.** Besides the 31 projects reaching closure in 2006, at least 9 other telecommunications contracts were awarded, though they had not reached financial closure nor been signed before the end of the year. Eight were mobile licenses: two in Jamaica, one in Moldova, one in Papua New Guinea, one in Sri Lanka, two in Uganda, and one in West Bank and Gaza. The ninth project would introduce a second national operator in Kenya.

**Canceled and distressed projects.** In 2006 four private telecommunications projects were canceled or became distressed, bringing the total number of such projects in the sector to 36. These contracts represent 5% of all telecommunications projects and 4% of committed investment in 1990–2006.

Three contracts were canceled in 2006: a 15-year fixed access concession in Indonesia (PT Bukaka Singtel International), signed in 1996; a mobile operator (Mobtel) in Serbia and Montenegro with a license granted in 1997; and a long-distance carrier (Orbitel) in Colombia that had begun to operate in 1998. Venezuelan CANTV, the incumbent fixed line operator, became distressed after the government announced that the company would be nationalized in 2007.

**Concluded projects.** One telecommunications project concluded in 2006: the three-year management contract for Ghana Telecom granted to Norwegian Telenor. The government of Ghana has subsequently announced plans to divest the incumbent operator.

## Telecom projects reaching financial or contractual closure in 2006

Note: .. denotes missing data; n.a. means not applicable.

Europe and Central Asia									
	Country	Project name	Project status	Segment	Type of PPI	Private equity (%)	Investment commitment (US\$ millions)	Capacity size and type	Main sponsors
1	Azerbaijan	Azerfon	Construction	Mobile access	Greenfield project	90	300.0	..	Celex Communications (30%, United Kingdom), Extel (30%, United Kingdom), Siemens AG (30%, Germany)
2	Bosnia and Herzegovina	Telekom Srpske	Operational	Fixed access, mobile access, and long distance	Divestiture	65	860.5	917,000 connections	Telekom Srbija (65%, Serbia and Montenegro)
3	Estonia	Bravocom 3G License	Construction	Mobile access	Greenfield project	100	5.8	..	Bravocom (100%, Estonia)
4	Georgia	Mobitel Georgia	Construction	Mobile access	Greenfield project	100	30.0	..	Vimpelcom (51%, Russian Federation)
5	Georgia	United Telecommunications Company of Georgia	Operational	Fixed access and long distance	Divestiture	90.6	90.0	350,000 connections	Silk Road Group (45%, Georgia), TuranAlem (45%, Kazakhstan)
6	Kyrgyz Republic	BiMoCom	Operational	Mobile access	Greenfield project	100	15.0	150,000 connections	Eventis Telecom Holding (100%, Cyprus)
7	Serbia and Montenegro (a)	Telenor Serbia	Operational	Mobile access	Divestiture	100	1,937.4	2,464,000 connections	Telenor (100%, Norway)
8	Serbia and Montenegro (a)	VIP Mobil	Construction	Mobile access	Greenfield project	100	432.0	..	Mobilkom Austria (100%, Austria)

(a) Although Montenegro declared independence from Serbia and Montenegro on June 3, 2006, this edition of Private Participation in Infrastructure Projects Database continues to list and show data for Serbia and Montenegro together.

Latin America and the Caribbean									
	Country	Project name	Project status	Segment	Type of PPI	Private equity (%)	Investment commitment (US\$ millions)	Capacity size and type	Main sponsors
1	Colombia	Colombia Movil (TIGO)	Operational	Mobile access	Divestiture	51	124.0	2,120,000 connections	Millicom International (50%, Luxembourg)
2	Colombia	Telefonica Telecom	Operational	Fixed access and long distance	Divestiture	52	368.0	2,400,000 connections	Telefonica SA (52%, Spain)
3	Colombia	Telmex Colombia SA	Operational	Fixed access	Greenfield project	100	1.0	5,000 connections	Telefonos de Mexico (Telmex) (100%, Mexico)

4	Ecuador	Ecutel	Operational	Fixed access	Greenfield project	100	0.0	1,000 connections	Emerica Group (..%, Ecuador)
5	Ecuador	Setel	Operational	Fixed access	Greenfield project	100	0.5	6,000 connections	Grupo TV cable (..%, Ecuador)
6	Haiti	Digicel Haiti	Operational	Mobile access	Greenfield project	100	130.0	75,000 connections	Digicel (100%, Bermuda)
7	Trinidad and Tobago	Digicel Trinidad & Tobago	Operational	Mobile access	Greenfield project	100	190.0	122,000 connections	Zenith Diversified Holdings Limited (..%, ..), Digicel (..%, Bermuda), HCL Group (..%, ..)

### Middle East and North Africa

	Country	Project name	Project status	Segment	Type of PPI	Private equity (%)	Investment commitment (US\$ millions)	Capacity size and type	Main sponsors
1	Egypt, Arab Rep.	Etisalat Misr	Construction	Mobile access and long distance	Greenfield project	70	3,075.0	..	Emirates Telecommunications Corporation (66%, United Arab Emirates)
2	Tunisia	Tunisie Telecom	Operational	Fixed access, mobile access, and long distance	Divestiture	35	2,250.0	4,600,000 connections	Dubai Holding (35%, United Arab Emirates)
3	Yemen, Rep.	Yemen Mobile	Operational	Mobile access and long distance	Divestiture	45	213.6	750,000 connections	Others (45%, ..)

### South Asia

	Country	Project name	Project status	Segment	Type of PPI	Private equity (%)	Investment commitment (US\$ millions)	Capacity size and type	Main sponsors
1	Afghanistan	Etisalat Afghanistan	Operational	Mobile access	Greenfield project	100	340.1	..	Emirates Telecommunications Corporation (100%, United Arab Emirates)
2	Afghanistan	Wasel Telecom	Operational	Fixed access, mobile access, and long distance	Greenfield project	100	8.3	..	Modern Technology International FZCO (100%, United Arab Emirates)
3	Bhutan	Tashi Group—second mobile license in Bhutan	Construction	Mobile access	Greenfield project	100	17.5	..	Tashi Group (100%, Bhutan)

Sub-Saharan Africa									
	Country	Project name	Project status	Segment	Type of PPI	Private equity (%)	Investment commitment (US\$ millions)	Capacity size and type	Main sponsors
1	Burkina Faso	Onatel	Operational	Fixed access, mobile access, and long distance	Divestiture	65	290.0	507,000 connections	Vivendi (26%, France)
2	Congo, Dem. Rep.	Warid Congo	Construction	Fixed access, mobile access, and long distance	Greenfield project	90	0.0	..	Abu Dhabi Group (..%, United Arab Emirates)
3	Gambia, The	Comium Gambia	Construction	Mobile access and long distance	Greenfield project	100	0.0	..	Comium Group (100%, Lebanon)
4	Guinea	Cellcom Guinee	Construction	Mobile access and long distance	Greenfield project	100	38.0	..	Cellcom Israel Ltd. (100%, Israel)
5	Malawi	Malawi Telecommunications Ltd. (MTL)	Operational	Fixed access and long distance	Divestiture	90.6	30.5	60,000 connections	Old Mutual (20%, South Africa), Press Corporation Limited (52%, Malawi)
6	Nigeria	Danjay Telecoms Ltd.	Construction	Fixed access, mobile access, and long distance	Greenfield project	100	2.0	..	JAP Holdings Corp. (..%, Nigeria)
7	Nigeria	Gicell Wireless Limited	Construction	Fixed access, mobile access, and long distance	Greenfield project	100	5.1	..	Gicell Wireless Limited (..%, Nigeria)
8	Nigeria	Nigerian Telecommunications Ltd. (Nitel) Divestiture	Operational	Fixed access, mobile access, and long distance	Divestiture	75	750.0	3,050,000 connections	Transnational Corporation Plc. (51%, Nigeria)
9	Nigeria	Prest Cable & Satellite TV Systems Limited (PresTel)	Construction	Fixed access, mobile access, and long distance	Greenfield project	100	2.0	..	GV Telecom (..%, Virgin Islands [U.S.]
10	Seychelles	Mediatech International	Operational	Mobile access	Greenfield project	100	0.0	7,000 connections	Mediatech International (100%, Seychelles)