H1 2014 Global PPI[1] Update

- Total investment[2] in infrastructure[3] was US$51.2 billion in the first half (H1) of 2014, compared to US$41.7 billion in H1 2013[4]
- Without Brazil, total investment would be US$21.9 billion, or 32% lower in H1 2014 than in H1 2013 (US$32.1 billion)
- Africa and Middle East investment dropped to US$555 million in H1 2014 from US$7.7 billion in H1 2013, due to fewer projects in energy and transport

In order to provide more frequent updates, we have streamlined data collection in H1 2014 to include energy, transport and water projects only. Also, we have excluded divestitures and telecom due to data availability. This is an important consideration for comparison with past reports.

Please visit our website for additional information: http://ppi.worldbank.org/

This note is a product of the Public Private Partnership Group of the World Bank, and the Private Participation in Infrastructure Database (PPI Database), written by Henry Kasper and edited by Alexander N. Jett.

1 TRENDS IN PPI IN THE FIRST HALF OF 2014

- Gas and renewables continue to capture high investment levels. The primary investments in energy were Mexico's natural gas pipelines, as well as many renewable energy projects (59% of total energy investment) which were spread among several regions, including East Asia Pacific (EAP) and Europe and Central Asia (ECA). The trend toward investing in renewable energy PPI should persist, as renewables continue to constitute an ever-increasing share of world electricity generation.[5]
- Brazil continues to dominate the investment landscape, particularly in transport. In H1 2014, Brazil had US$29.2 billion of the global total (US$51.2 billion), representing a 57% share. Brazil's large stake is the continuation of a rising trend over the past several years, capturing 21% of global investment in H1 2013, and 13% in H1 2012. A staggering 94% of Brazilian investment was concentrated in transport in H1 2014, although much of this was associated with a single airport project.
- Investment declines in India. After peaking in 2010, investment in India has declined year by year, with the trend continuing into H1 2014. In 2013, India's investment level fell by 68% from its five-year average of US$42.3 billion (2008-2012), and is showing further weakness by recording only US$3.6 billion in new investments in H1 2014, compared to US$5.1 billion in H1 2013.

[1] Private Participation in Infrastructure (PPI) is defined by the World Bank's Private Participation in Infrastructure Database. Its methodology is available at http://ppi.worldbank.org/resources/ppi_methodology.aspx

[2] "Investment" refers to investment commitments at the time of financial closure or in the case of brownfield concessions, contract signing.

[3] "Infrastructure" refers to energy, transport, and water projects, excluding oil and gas extraction but including natural gas transmission and distribution.

[4] Figures based on preliminary data for H1 2014 only and may differ slightly from subsequent updates on the PPI website.

[5] The U.S. Energy Information Administration (EIA) estimates that about 11% of world marketed energy consumption is from renewable energy sources, with a projection for 15% by 2040. Available at http://www.eia.gov/forecasts/archive/ieo13/more_highlights.cfm.

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- Slowing investment in Africa and the Middle East. Investment was noticeably light in H1 2014 across Africa and the Middle East. Sub-Saharan Africa (AFR) and the Middle East and North Africa (MNA) had only four projects in H1 2014, bringing total investment to only US$555 million. If deal activity fails to pick up in the second half of the year, Sub-Saharan Africa is unlikely to continue their ten-year average of US$11.7 billion (2004-2013). MNA will also fall short of their ten-year average of US$7.3 billion (2004-2013).

2 GLOBAL OVERVIEW

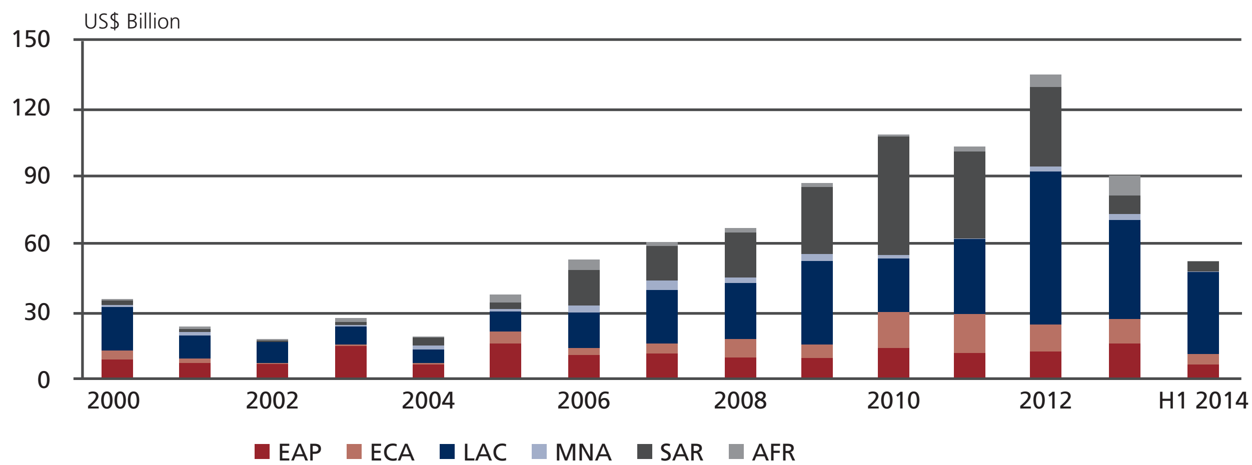
According to preliminary data for H1 2014, total investment commitments to private infrastructure projects in developing countries were US$51.2 billion. This represents a 23% increase from H1 2013 (US$41.7 billion). The increase in investment totals is mainly due to Latin America and the Caribbean (LAC). In fact, LAC's H1 2014 investment level approached its 2013 full year total, with the amount being largely attributable to Brazil.

Among all regions, the average investment commitment in H1 2014 was US$430 million, which is heavily skewed by seven outsized projects in Brazil, each totaling US$2 billion or more, including a US$10 billion airport project. Stripping out these seven deals would yield an average size of US$238 million per project, making it more in-line with the 2013 average of US$236 million. Furthermore, stripping out Brazil altogether would result in global commitments of US$21.9 billion in H1 2014, or 32% lower than the US$32.1 billion achieved in H1 2013.

Four out of six regions registered falling investment levels in H1 2014: EAP, South Asia (SAR), AFR, and MNA. In the case of EAP, fewer projects resulted in an overall decline in investment of 28%. Within South Asia, India continues to experience falling investment, receiving only US$3.6 billion in H1 2014, down from US$5.1 billion in H1 2013 and a peak of US$23.8 billion in H1 2012.

In a marked departure from previous years, investment in Africa and the Middle East was extremely low in H1 2014. These regions have historically attracted significant investment; the average annual investment over the past 10 years (2004-2013) was US$11.7 billion for AFR and US$7.3 billion for MNA. In the case of Sub-Saharan Africa, total investment dropped significantly from US$5.2 billion in H1 2013 to US$274 million in H1 2014. Similarly, total investment in the Middle East and North Africa dropped from US$2.5 billion in H1 2013 to US$281 million in H1 2014 (Figure 1).

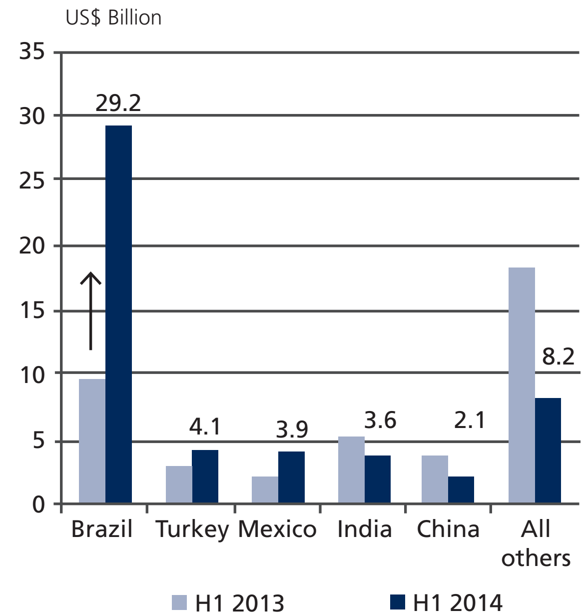
FIGURE 1: TOTAL INVESTMENT IN ENERGY, TRANSPORT, AND WATER BY REGION
(NOTE H1 2014 COMPARISON TO PREVIOUS FULL-YEAR DATA)



3 TOP COUNTRIES

The top five countries with the highest investment in H1 2014 were the following: (1) Brazil, (2) Turkey, (3) Mexico, (4) India, and (5) China. These five countries together attracted US$42.9 billion, representing 84% of investment commitments in the developing world in H1 2014 (Table 1).

FIGURE 2: TOTAL INVESTMENT IN PPI IN THE TOP FIVE COUNTRIES



In H1 2014, private participation in the largest PPI market—Brazil—continued to show strength by attracting US$29.2 billion, or 57% of global infrastructure investment. The largest global investment in H1 2014, a US$10.0 billion airport project in Rio de Janeiro, alone accounted for 20% of global totals. Galeao International Airport, originally built in 1952, will receive another major upgrade to accommodate the upcoming 2016 Olympics in Rio de Janeiro. Upgrades consist of renovating Passenger Terminal 1 and its runways, as well as modernizing all other passenger gates and building new parking areas. Sao Paulo's Orange Line Metro was the second largest overall investment at US$3.8 billion. Two toll roads in between the Federal District of Brasilia and Juiz de Fora (937 km stretch of highway) and the States of Goias and Minas Gerais (1,177 km) were the third and fourth largest projects by investment size. These two projects received US$3.4 and US$3.0 billion, respectively. Closing these significant projects early in the year will likely ensure that Brazil surpasses its 2013 total investment level of US$33.8 billion.

TABLE 1: AVERAGE INVESTMENT IN PPI IN TOP 5 COUNTRIES, H1 2014 (US$ MILLION)

	Number of Projects	Average Investment	% Total Investment
Brazil	24	1,169	57
Turkey	4	1,024	8
Mexico	7	563	8
India	24	122	7
China	17	121	4
All other countries	34	240	16
Total	**110**	**238**	**100**

Turkey was able to rank second due to a pair of transport projects—the US$1.05-billion Istanbul Salipazari Cruise Port and the US$2.9-billion Third Bosporus Bridge and Northern Maramara Highway Project. Growing consumerism continues to drive investment in Turkey, and the expansion of the Salipazari passenger terminal on the west coast of Bosporus is no exception as tourism in the country increases. In addition, energy demand in Turkey continues to rise faster than most OECD countries. With an expected annual growth rate of 4.5% from 2015 to 2030, electricity demand should grow even faster.[6] To meet these needs,

[6] The U.S. Energy Information Administration, Country Statistics. Available at http://www.eia.gov/countries/country-data.cfm?fips=TU&trk=m

Turkey is rapidly becoming an energy transit hub between Europe, Russia, and the Middle East by being an integral part of oil and natural gas supply movement.

Seven deals closed in Mexico, six of which were energy-related. With Mexico's Congress recently passing energy reform which ends the monopoly of state-run Petroleus Mexicanos—PEMEX—private companies will now be allowed to explore and drill oil and natural gas. This regulatory change is already having an impact on private participation. For example, two natural gas pipelines connecting to the United States are driving investment activity as the country looked to capitalize on abundant and relatively inexpensive U.S. gas production to meet Mexico's energy demand. A third domestic pipeline also received investment and will eventually connect with Mexico's national pipeline system. Most investments were sizeable, averaging US$563 million.

India continues to show weakness since experiencing record levels of investment in 2010. In 2013, India's investment fell by 68% from their five-year average of US$42.3 billion (2008-2012), and is showing further signs of weakness in H1 2014 by receiving only US$3.9 billion. Projects have experienced chronic cost overruns and delays. In fact, a significant portion of India's capital expenditure in H1 2014 was earmarked to cover cost overruns in projects which had achieved financial closure years earlier. One such project recorded additional capital expenditures of US$130 million to cover interest during construction (IDC).

Should this trend continue through H2 2014, India will face their lowest investment level since 2003 (US$3.6 billion). Nonetheless, India had 24 projects in H1 2014, equaling the number for Brazil. However, removing India's largest road project—Yedeshi Aurangabad—results in only US$108 million per investment for the remaining 23 transactions. Outside this toll road project of US$525 million, no new large scale deals closed in any sector.

With 17 deals, China had the third most projects in H1 2014. However, as in H1 2013, the average investment size in H1 2014 remained relatively low at US$121 million. Of the 17 deals, nine were in energy and six were in water & sewerage. All of these contracts were granted by local governments, with the exception of one transport project which was tendered at the provincial level. The largest deal—a high speed rail project for US$733 million—now connects the far-west region of Xinjiang to the rest of the country. Travel time for the 1,800 kilometer ride between Urumqi and Lanzhou has been cut in half to about 12 hours.

4 SECTOR OVERVIEW

The largest number of new projects were in energy (70), followed by transport (28), and finally water & sewerage (12). Although the energy sector had the most new projects, the sector with the greatest investment was transport, receiving US$36.0 billion, or 71% of total global investment. The energy sector accounted for US$14.7 billion, or 29%, and the water & sewerage sector had nearly US$.5 billion, which was <1% of total investment committed (Table 2).

TABLE 2: INVESTMENT COMMITTED BY SECTOR, H1 2014

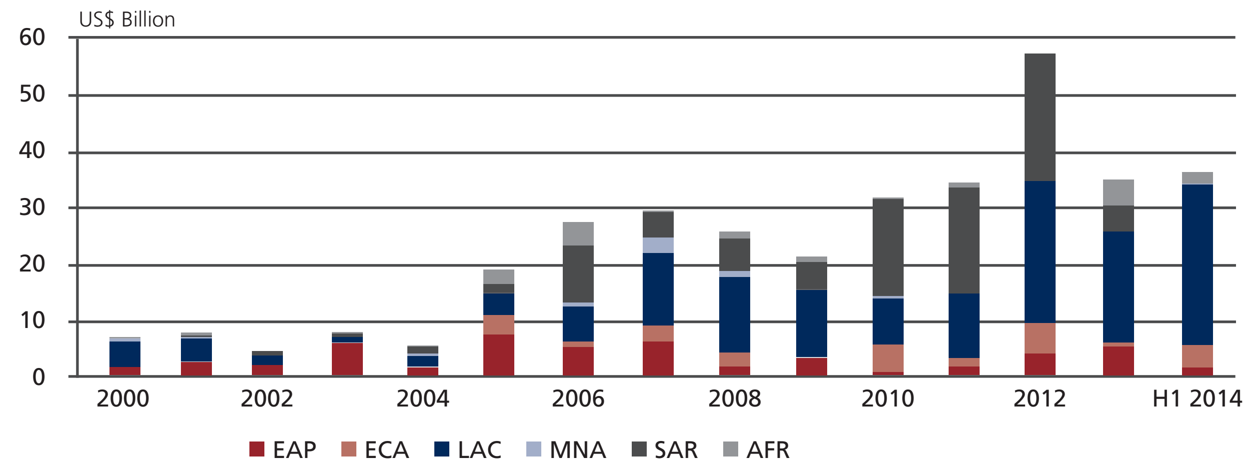
	Average Investment (US$ Million)	Total Investment (US$ Billion)	% Total Investment
Transport	1,200	36.0	71
Energy	191	14.7	29
Water & Sewage	40	0.5	<1
Total	430	51.2	100

Transport. Global investment in transport in H1 2014 was US$36.0 billion, surpassing its entire 2013 total of US$34.7 billion (Figure 3). Latin America, by far, dominated investment in transport in H1 2014. Transport volume was led by Brazil, which holds the distinction of increasing investment nearly four-fold—from US$6.6 billion in H1 2013 to US$27.4 billion H1 2014.

Despite having only two transport projects, Turkey totaled an impressive US$4.1 billion of investment, with the Third Bosporus Bridge representing more than half of those sums (US$2.9 billion).

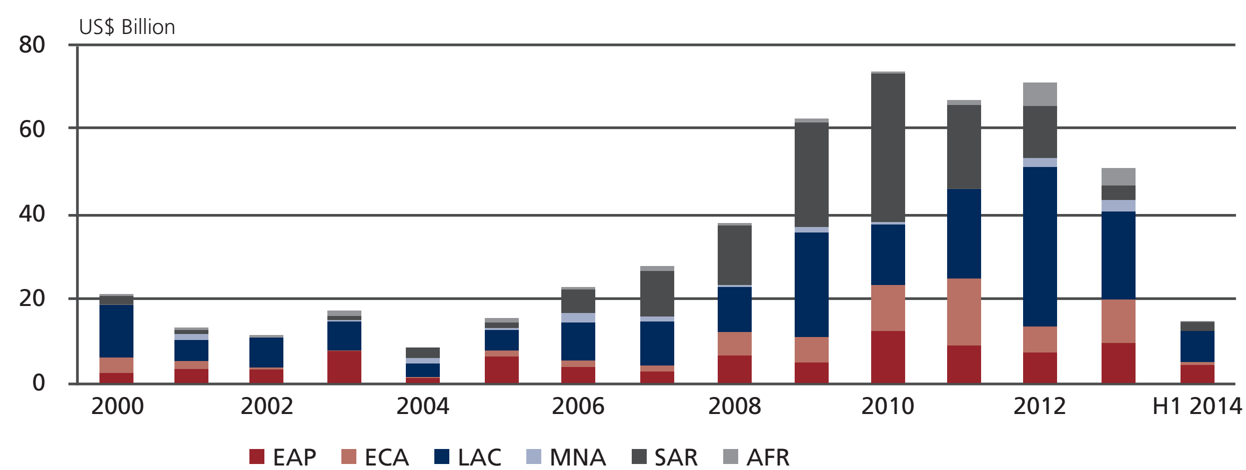
With 13 transport projects, India had the most of any country—12 of which were road projects. However, the average investment size of each of the 13 transport projects was only US$177 million, which contributed to India's relatively weak first half investment totals.

FIGURE 3: TOTAL INVESTMENT IN TRANSPORT BY REGION
(NOTE H1 2014 COMPARISON TO PREVIOUS FULL-YEAR DATA)



Energy. Within energy, LAC had the most projects with 34; SAR had 15; EAP had 14; and ECA had five. The top investment was Indonesia's 330 MW Sarulla Geothermal Project at US$1.5 billion. Indonesia is promoting renewable energy to meet high expected power demand growth and the government is targeting to increase the share of renewable energy in the energy mix from 7% in 2005 to 15% by 2025.[7] The next

FIGURE 4: TOTAL INVESTMENT IN ENERGY BY REGION
(NOTE H1 2014 COMPARISON TO PREVIOUS FULL-YEAR DATA)



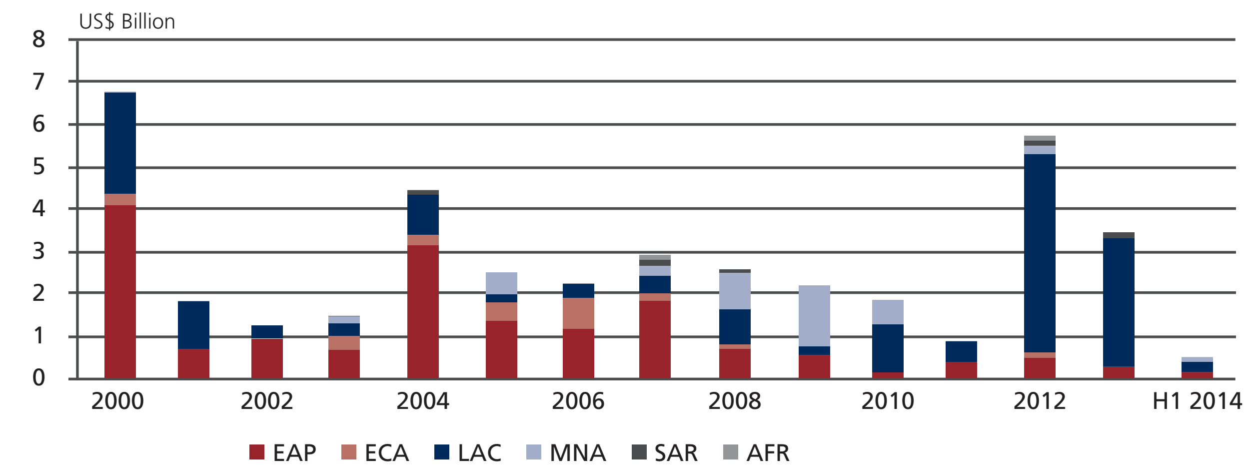
[7] International Energy Agency, Southeast Asia Energy Outlook. Available at http://www.iea.org/publications/freepublications/publication/southeastasiaenergyoutlook_weo2013specialreport.pdf

largest investment was a natural gas pipeline in Mexico at US$1.4 billion, followed by Lao PDR's US$1.04-bn Xe-Pian Xe-Namnoy hydro power plant, which will export electricity generation to Thailand. Most of the remaining investments were in smaller renewable energy projects for wind, solar, and hydro power plants.

Water & Sewerage. Projects were heavily skewed towards two countries—China and Brazil, together comprising 11 of 12 new projects. Although Morocco had one water project, the Agadir Desalination Plant at US$114 million was the largest deal in the sector. The plant, located on Morocco's Atlantic Coast, is expected to produce 100,000 cubic meters/day of drinking water[8] for the inhabitants of Greater Agadir. The next three largest projects, all located in Brazil, fall within the water utility segment. These relatively small projects, in descending order, were investments of US$80 million, US$62 million, and US$43 million.

Currently, the US$481 million water & sewerage totals for H1 2014 risk not meeting the ten-year average of US$3.2 billion per year (2004-2013).

FIGURE 5: TOTAL INVESTMENT IN WATER BY REGION
(NOTE H1 2014 COMPARISON TO PREVIOUS FULL-YEAR DATA)



5 REGIONAL OVERVIEW

The top region by volume and investment totals was LAC (Table 3). The driving factor behind Latin America and the Caribbean is Brazil and, to a lesser extent, Mexico.

TABLE 3: INVESTMENT BY REGION, H1 2014 (US$ BILLION)

	Number of Projects	Total Investment	% Total Investment
LAC	49	36.1	71%
EAP	22	5.7	11%
ECA	7	4.6	9%
SAR	28	4.2	8%
MNA	2	0.3	<1%
AFR	2	0.3	<1%
Total	**110**	**51.2**	**100%**

[8] United Nations Economic Commission for Europe. Available at http://www.unece.org/fileadmin/DAM/ceci/documents/2014/water_and_sanitation_October/Morocco_the_Agadir_desanilisation_project.pdf

Latin America and the Caribbean. Latin America and the Caribbean attracted investments totaling US$36.1 billion, comprising a robust 71% of global investment totals, by far the largest share of any region. This compares to 41% of global PPI in H1 2013, and 22% in H1 2012. There were 49 investments, including 34 in energy, 10 in transport, and five in water & sewerage. The leading country in the region was Brazil, followed by Mexico and Chile. An additional nine investments were made in Peru (5), Guatemala (3), and Uruguay (1), totaling US$1.6 billion.

LATIN AMERICA AND THE CARIBBEAN (LAC) TOP DEALS				
Country	**Project Name**	**US$ Millions**	**Sponsors**	**Revenue Source**
Brazil	Rio de Janeiro Airport	$10,000	Odebrecht SA (31% / Brazil), Changi Airports International Pte Ltd (CAI) (20% / Singapore)	User fees
Brazil	Sao Paulo Metro—Orange Line	$3,786	Odebrecht SA (20% / Brazil), Construtora Queiroz Galvao (20% / Brazil), UTC Participacoes S/A (14% / Brazil)	User fees and fixed payment(s) from the government
Brazil	BR 040–116–381 Toll Road	$3,369	Invepar (100% / Brazil)	User fees
Brazil	BR 060–153–262 Toll Road	$3,042	Triunfo Participacoes e Investimentos (100% / Brazil)	User fees
Brazil	Br-163 MS Toll Road	$2,425	Companhia de Concessoes Rodoviarias (CCR) (100% / Brazil)	User fees

East Asia and Pacific. East Asia and Pacific was the second largest destination for PPI, attracting US$5.7 billion with 22 new projects. EAP's share of global investment was 11%, which is slightly lower than the 12.9% achieved in H1 2013. China had the most investment by receiving 17 of the 22 projects, followed by Thailand (2), Indonesia (2) and Lao PDR (1). Energy led the way with 14 projects; water & sewerage had six; and transport had two. The five largest transactions comprised 87% of regional investment totals, with Indonesia's Surulla Geothermal Project being the largest at US$1.54 billion.

EAST ASIA AND THE PACIFIC (EAP) TOP DEALS				
Country	**Project Name**	**US$ Millions**	**Sponsors**	**Revenue Source**
Indonesia	Sarulla Geothermal Project	$1,541	Itochu Corporation (25% / Japan), Kyushu Electric Power Corp. (25% / Japan), PT Medco Energi International Tbk (38% / Indonesia), Ormat Turbines Ltd (13% / Israel)	Purchase agreements or transmission fees with public entity(ies)
Lao PDR	Xe-Pian Xe-Namnoy HPP	$1,043	SK Corp. (26%), Ratchaburi Electricity Generating Holding Plc (25% / Thailand)	User fees
Thailand	Khanom 4 CCGT	$822	Tokyo Electric Power Co (50% / Japan), Mitsubishi (50% / Japan)	Purchase agreements or transmission fees with public entity(ies)
China	Baluntai-Yiergen Railway	$733	Xinjiang Jinyangguang Railway Construction and Management Company Limited	User Fees
China	Qingdao Port Dongjiakou Ore Terminal	$619	Qingdao Port Group (30%), China Merchants (25%), COSCO (25%), and IMC Group (20%)	User Fees

Europe and Central Asia. Europe and Central Asia had seven new investments (six in H1 2013), totaling US$4.6 billion. Its share of the global total was 9% in H1 2014 versus 8% in H1 2013. Turkey had the most new projects with four out of seven, and they also managed to capture 89% of regional investment totals. Romania had the other three investments. The top two infrastructure projects were in transport, representing US$3.95 billion of the US$4.8 billion total. The largest investment was Turkey's third Bosporus Bridge and Norther Maramara Highway at US$2.9 billion, followed by a US$1.05 billion investment toward expanding a cruise port in Istanbul, Turkey.

EUROPE AND CENTRAL ASIA (ECA) TOP DEALS				
Country	**Project Name**	**US$ Millions**	**Sponsors**	**Revenue Source**
Turkey	Third Bosporus Bridge and Northern Maramara Highway Project	$2,900	IC Holding (67% / Turkey), Astaldi SpA (33% / Italy)	Shadow tolls
Turkey	Istanbul Salipazari Cruise Port	$1,052	Dogus Holding (100% / Turkey)	User fees
Romania	Crucea North Wind Farm	$274	STEAG (100% / Germany)	Sales to the whole-sale market
Romania	Topolog-Dorobantu Wind Farm	$168	ERG Renew (50% / Italy), Lukoil (50% / Russian Federation)	N/A

South Asia. In South Asia, 28 new projects reached closure. However, the 28 projects represent only 8% of total investment in infrastructure—US$4.2 billion of US$51.2 billion. As shown below, this is due to a high number of relatively low-volume investment sizes in the region. Consistent with historical trends, India had the vast majority of new projects with 24, and Bangladesh had just four. Among these four is the Summit Meghnaghat Power Project—a US$320 million investment that will add 335MW of power near Dhaka to help meet Bangladesh's chronic power shortages.[9] Although Bangladesh's projects were all concentrated in energy, India was more broadly distributed with 13 in transport and 11 in energy. None were in water & sewerage.

SOUTH ASIA (SAR) TOP DEALS				
Country	**Project Name**	**US$ Millions**	**Sponsors**	**Revenue Source**
India	Yedeshi Aurangabad Tollway Private Limited	$525	IRB Infrastructure Developers Ltd (100% / India)	User fees and fixed payment(s) from the gov-ernment
Bangladesh	Summit Meghnaghat Power Company Limited	$320	Summit Industrial and Mercantile Corp. (Bangladesh), General Electric (United States)	Availability payment
India	L&T Sambalpur Rourkela Tollway Limited	$282	Larsen & Toubro Limited (100% / India)	User fees
India	Solapur Yedeshi Tollway Pri-vate Limited	$245	IRB Infrastructure Developers Ltd (100% / India)	User fees and fixed payment(s) from the government
India	GVR Ashoka Chennai ORR Limited	$240	GVR Group (50% / India), Ashoka Buildcon Ltd (50% / India)	Availability payment, other

Middle East and North Africa. Although MNA rose one position from sixth to fifth, the region still represents less than 1% of global investment at US$281 million. The largest transaction was for the upgrade of Jordan's Queen Alia Airport—about US$167 million. The other regional investment was a desalination plant in Morocco for US$114 million.

THE MIDDLE EAST AND NORTH AFRICA (MNA) TOP DEALS				
Country	**Project Name**	**US$ Millions**	**Sponsors**	**Revenue Source**
Jordan	Queen Alia International Airport Phase II	$167	Abu Dhabi Investment Company (38% / United Arab Emirates), Joannou & Paraskev-aides Ltd (19% / Channel Islands), National Industries Group Holding (24% / Kuwait)	User fees
Morocco	Agadir Desalination Plant	$114	Abengoa (100% / Spain)	Availability payment

Sub-Saharan Africa. Sub-Saharan Africa fell two places from fourth to sixth, with just US$274 million of committed investment, comprising less than 1% of global totals (.5%). Leading the way was a gas-fired power plant in Mozambique, followed by a solar project in Rwanda.

SUB-SAHARAN AFRICA (AFR) TOP DEALS				
Country	**Project Name**	**US$ Millions**	**Sponsors**	**Revenue Source**
Mozambique	Ressano Garcia Gas-Fired Plant	$250	Old Mutual (32% / South Africa)	PPA payments
Rwanda	Agahozo-Shalom Youth PV Solar Plant	$24	Scatec (40% / Norway)	PPA payments

About the Private Infrastructure Projects Database:

The Private Participation in Infrastructure Projects Database is a joint product of the World Bank's Public Private Partnership Group, and the Public-Private Infrastructure Advisory Facility (PPIAF). Its purpose is to identify and disseminate information on private participation in infrastructure projects in low- and middle-income countries. The database highlights the contractual arrangements used to attract private investment, the sources and destination of investment flows, and information on the main investors. The site currently provides information on more than 6,000 infrastructure projects dating from 1984 to 2013 and is updated with last year's data six months after year-end (July 2014). It contains over 30 fields per project record, including country, financial closure year, infrastructure services provided, type of private participation, technology, capacity, project location, contract duration, private sponsors, and development bank support. This project represents the best efforts of a research team to compile publicly available information on those projects, and should not be seen as a fully comprehensive resource. Some projects -- particularly those involving local and small scale operators -- tend to be omitted because they are usually not reported by major news sources, databases, government websites, and other sources used the PPI Projects database. For more information, please visit: http://ppi.worldbank.org/.

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