2013 Telecom Sector Private Participation in Infrastructure (PPI) Global Update [1]

- **PPI in telecom, in 2013 led all sectors in volume**
- **The telecom sector had the lowest number of new projects since 1990**
- **Mobile access attracted more than 50% of all Telecom PPI**
- **72% of the total telecom PPI was in Greenfield projects**

1. Global overview

In 2013, total PPI[2] in the telecommunications sector was US$57.3 billion, representing 38% of the total PPI investments[3] in 2013 in the four sectors. This amount is still low when compared to the second half of the last decade. Three new telecom projects with private participation reached financial or contractual closure. These projects were Bolt (Internux) in Indonesia, Smile Nigeria in Nigeria and Shiraa Telecom in Somalia. All three projects are mobile operators (Table 3). This is the lowest number of new projects closing since 1990. After a peak in the late 1990s and early 2000s, the number of new projects closing has diminished over the years, reflecting the saturation rate of global telecom markets. However, there was capacity expansion of more than 300 existing projects across 113 countries. These projects received additional investments[4] of US$57.3 billion. Of the total cumulative telecom investment of US$57.3 billion, the ranking of regions, by order of magnitude is (1) LAC, (2) ECA, (3) SAR, (4) AFR, (5) EAP and (6) MNA (Table 1).

Table 1: PPI Investment in Telecom by Region, 2013 US$ Billion

	Total Investment	**% of Total**
LAC	23.2	40%
ECA	12.8	22%
SAR	7.4	13%
AFR	5.7	10%
EAP	5.2	9%
MNA	3.1	5%
Total	**57.3**	**100%**

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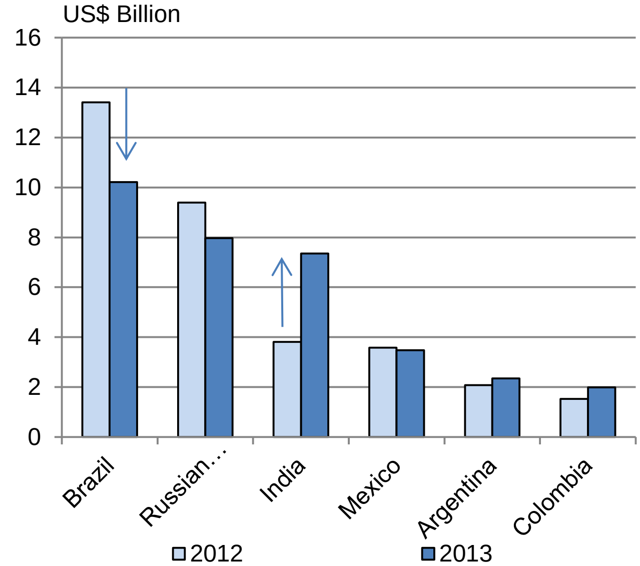
[1] PPI (Private Participation in Infrastructure): Projects are considered to have private participation if a private company or investor is at least partially responsible for operating cost and associated risks. Projects are tracked which have at least 25% private equity or in the case of divestitures, at least 5% private equity. See our methodology http://ppi.worldbank.org/resources/ppi_methodology.aspx.

[2] The PPI database tracks low and middle income countries (emerging markets) per the World Bank Group's GNI per capita index http://data.worldbank.org/about/country-and-lending-groups prior to 2012. The Russian Federation and Chile graduated to high income status after 2012 and are therefore tracked by the database.

[3] PPI or investment refers to the total value of projects in a given year as well as capital expenditures for capacity expansion.

[4] The investment volume of new projects in telecom PPI in 2013 was not available at the time of publication; hence the investment column in table 3 has N/A (Not available).

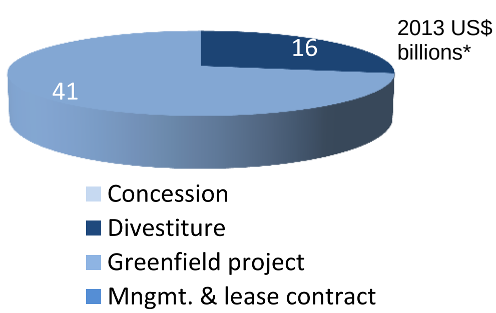
Top 6 countries with Telecom Sector PPI in 2013



Source: World Bank and PPIAF, PPI Project Database.

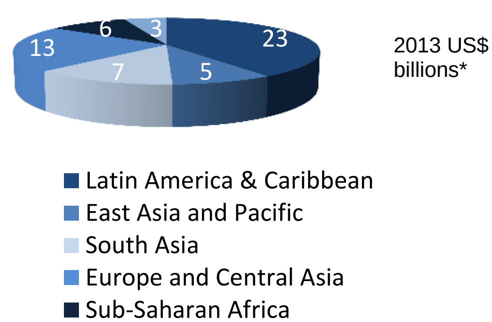
The top six countries in PPI in 2013 were: (1) Brazil, (2) Russia, (3) India, (4) Mexico, (5) Argentina and (6) Colombia (Figure 1). These six countries attracted US$33.8 billion, representing 59% of all the PPI commitments in the developing world in 2013. Brazil had the most investment in the telecom sector (US$10.2 billion) in 2013 (Figure 1), followed by the Russian Federation (US$ 8 billion), India (US$ 7.8 billion), Mexico (US$3.5 billion), Argentina (US$2.3 billion) and Colombia (US$2 billion). The telecom investment in Brazil decreased in 2013 by 24% from 2012, but 2013 figures are still 9% higher than the ten year average of US$9.4 billion (2013 CPI adjusted). The Russian Federation has a similar story to Brazil. However, in India investment increased in 2013, but was 13% lower when compared to the ten years average of US$8.5 billion. Mexico, Argentina and Colombia did not have significant changes in PPI in 2013 when compared with 2012.

Figure 2: PPI Volume by Project Type (2013)



Source: World Bank and PPIAF, PPI Project Database.

Figure 3: Private regional investment in Telecom Sector in low and middle income countries



Source: World Bank and PPIAF, PPI Project Database.

2. Segment analysis

In 2013, 53% of the telecom PPI investments went to the mobile access segment (Table 2). Multi-service providers (fixed and mobile) attracted another 44% of all investments, comparable to the range of PPI that Multi-Service providers attracted over the last ten years. The long distance lines, which had attracted

1.5% of all investments in the last 10 years, recorded 3% in 2013, which matches the growth shown in 2012. Fixed line operators attracted the remainder of investments.

Table 2: PPI Investment in Telecom by Segment, 2013 US$ Billion

	Total Investment	% of Total
Mobile access	30.6	53%
Multi-service providers	24.7	44%
Long Distance	1.8	3%
Fixed access	0.2	0%
Total	**57.3**	**100%**

With more than 50% of PPI in telecom in the mobile access segment, and the top five projects in telecom in each region being mobile operators, it is hard to ignore the fact that the trend of PPI investment in telecom is shifting towards mobile access, with fixed access and long distance accounting for a small fraction of PPI in telecom in 2013.

3. New Projects

The three new projects closing in 2013 were Bolt (Internux) in Indonesia, Smile Nigeria in Nigeria and Shiraa Telecom in Somalia. All three are Mobile Access projects (Table 3).

Table 3: New telecom projects with private participation reaching financial or contractual closure in 2013

Country	Project Name	Segment	PPI Type (subtype)	Capacity (number of connections)	Sponsors
Indonesia (EAP)	Bolt (Internux)	Mobile access	Greenfield (merchant)	65,000	Lippo Group (80% / Indonesia), Mitsui (20% / Japan)
Somalia (AFR)	Shiraa Telecom	Mobile access	Greenfield (merchant)	28,000	Shiraa Telecom (100% / Somalia)
Nigeria (AFR)	Smile Nigeria	Mobile access	Greenfield (merchant)	4,000	Smile Telecoms Holdings Limited (100% / Mauritius)

Note: N/A means not available/applicable. Investment commitments include payments to the government and investment in physical assets.

Bolt (Internux) is a Greenfield project, and 100% of the investment in this project is private. The project has a capacity of 65,000 connections and it was awarded based on a License scheme. Bolt, a brand of Internux, started operations in Q4 2013, offering 4G accessibility with a special mobile device called Bolt. Initially, the service is available in Jakarta, Bogor, Depok, Tangerang, and Bekasi cities (Jabodetabek). PT Internux was owned by the Indonesian conglomerate Lippo Group (80 percent) and Mitsui of Japan (20 percent, a stake that was purchased from Lippo Group for US$75 million).

Smile Nigeria, a local subsidiary of Smile Telecoms Holdings, started operations in Nigeria in the first quarter of 2013 after it had received a license from the Nigeria Communications Commission (NCC). By the end of the year, it reported 4,000 subscribers. Smile started operations in Lagos. Smile Telecoms also operates in three other African countries: Uganda, Tanzania, and the DR Congo. The project is 100% privately financed.

In 2013, Shiraa telecom entered Somalia and reported its first subscribers in the second quarter of 2013. By the end of the year, it reported 27,869 customers. Shiraa telecom is also a mobile operator with 100% private equity from Shiraa Telecom.

4. Regional Overview

Of the total cumulative PPI[5] of US$57.3 billion the ranking of regions, by order of magnitude is (1) LAC, (2) ECA, (3) SAR, (4) AFR, (5) EAP and (6) MNA (Table 1).The number of projects has declined since 2000, and therefore, most of the PPI in telecom in recent times has been in capacity expansion of older projects. For that reason, the top existing projects per region are highlighted in the tables below.

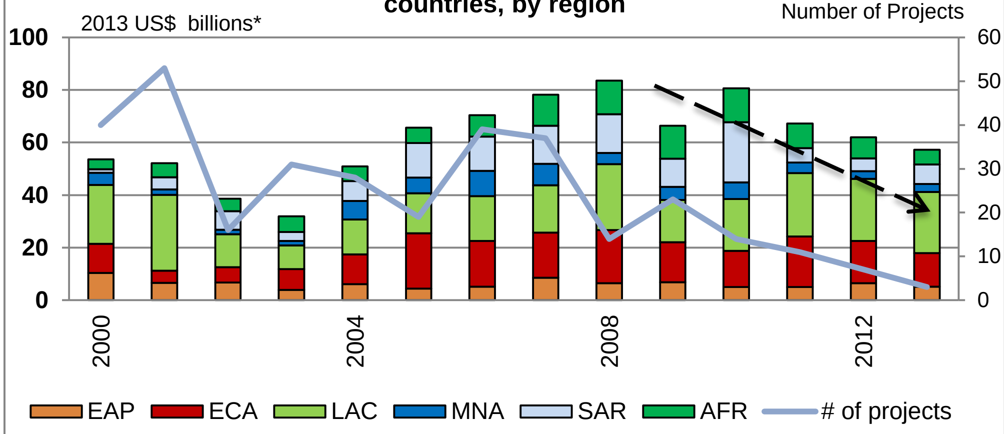
4.1 Latin America and the Caribbean (LAC)

The Latin America and the Caribbean (LAC) region has consistently attracted a leading share of world's PPI in telecom over the last decade. It led in terms of the volume of PPI in 2013 (US$ 23.2 Billion), accounting for 40% of the total. Although the trend of PPI in telecom is moving towards mobile access projects, there still seem to be existing demand for long distance telecom services, with largest long distance project in world by investment volume (Embratel Participacoes SA) in Brazil (Figure 4).

The prime sponsors of the region in 2013 were América Móvil and Telefónica SA. Four of the five largest telecom projects in 2013 were in Brazil, and all were multi-service providers or long distance projects. This is interesting as this is not in line with telecom in other parts of the world. This indicates that there is still growing demand for fixed access and long distance services in Brazil. The top project (Telcel) was in Mexico and owned by América MóvilAmérica Móvil, attracting US$2.7 billion in 2013.

Latin America & the Caribbean (LAC) Top 5 PPI Projects in 2013					
Country	**Project Name**	**Segment**	**US$ Million**	**Sponsors**	**Source of Revenue**
Mexico	Telcel	Mobile Access	$2,786	América MóvilAmérica Móvil (100% / Mexico)	User fees
Brazil	Telesp Participacoes SA	Fixed access and long distance	$1,990	Telefónica SA (88% / Spain)	User fees
Brazil	Tele Norte Leste Participacoes or Telemar Norte Leste S.A.	Fixed access, mobile access, and long distance	$1,987	Telemar Participacoes SA (81% / Brazil)	User fees
Brazil	Embratel Participacoes SA	Long distance	$1,725	Telefonos de Mexico (Telmex) (98% / Mexico)	User fees
Brazil	TIM Participacoes SA (TSU)	Fixed access and mobile access	$1,645	Telecom Italia (67% / Italy)	User fees

Figure 4: PPI in Telecom Sector in low and middle income countries, by region



Source: World Bank and PPIAF, PPI Project Database.

* Adjusted by US CPI

4.2 Europe and Central Asia (ECA)

ECA was the second region in terms of volume of PPI in 2013 (US$12.8 billion), representing 22% of total telecom PPI in 2013. Two of the main telecom PPI projects in the region by volume were mobile access projects, showing the growth and capacity expansion in the segment. The Russian Federation dominated by volume of PPI. Rostelecom, the top project, invested US$2,150 million in 2013. The main sponsors in the region was AFK Sistema, Alfa Group and AF telecom Holding. The top five projects in the region in 2013 had an equal mix of mobile access and multi service providers.

Europe and Central Asia (ECA) Top 5 PPI Projects in 2013

Country	Project Name	Segment	US$ Million	Sponsors	Source of Revenue
Russian Federation	Rostelecom	Fixed access, mobile access, and long distance	$2,150	Others (31% /unknown)	User fees
Russian Federation	Vimpel Communication	Mobile access	$2,114	Financial Corporation Sistema (AFK Sistema) (53% / Russian Federation)	User fees
Russian Federation	Mobile telesystem (MTS)	Mobile access	$1,845	Telenor (40% / Norway), Alfa Group (40% / Russian Federation)	User fees
Russian Federation	Megafon	Fixed access and mobile access	$1,562	TeliaSonera (26% / Sweden), AF Telecom Holding (50% / Russian Federation)	User fees
Turkey	Turk Telecom	Fixed access and long distance	$784	Saudi Oger Ltd (55% / Saudi Arabia)	User fees

4.3 South Asia (SAR)

South Asia had the third highest PPI volume (US$7.4 billion), representing for 13% of total telecom PPI in 2013. The largest project in 2013 was in India (Bharti Airtel Limited), amounting US$3,443 million. Other major sponsors in the region were Bharti Airtel Limited, Aditya Birla Group, Vodafone, and Reliance ADA group. PPI investments were evenly distributed between mobile access and MSP. Though South Asia's PPI has steadily increased over the last two years (2012 and 2011), it is still lower than that of the previous five year period (2005-2010). One of the factors is the general decline in PPI in India, which has affected all sectors.

South Asia (SAR) Top 5 PPI Projects in 2013					
Country	**Project Name**	**Segment**	**US$ Million**	**Sponsors**	**Source of Revenue**
India	Bharti Airtel Limited	Fixed access, mobile access, and long distance	$3,443	Bharti Airtel Limited (100% / India)	N/A
India	Idea Cellular	Mobile access	$2,514	Aditya Birla Group (50% / India)	User fees
India	Vodafone Essar	Mobile access	$1,118	Essar Group (33% / India), Vodafone (67% / United Kingdom)	User fees
India	Reliance Communications Limited	Fixed access, mobile access, and long distance	$239	Reliance ADA Group (66% / India)	N/A
India	Uninor	Fixed access, mobile access, and long distance	$36	Telenor (68% / Norway)	User fees

4.4 Sub-Saharan Africa (AFR)

Sub-Saharan Africa attracted telecom PPI of US$5.7 billion in 2013, a significant decline from the 2000-2010 period. Four of the top five telecom PPI investments in the region were in mobile access projects. Nigeria and South Africa hosted the top deals in the region. The top sponsor was MTN group, followed by Vodafone UK. Two of the three new telecom projects in 2013 were in this region – Smile Nigeria (Nigeria) and Shiraa Telecom (Somalia).

Sub-Saharan Africa (AFR) Top 5 PPI Projects in 2013					
Country	**Project Name**	**Segment**	**US$ Million**	**Sponsors**	**Source of Revenue**
Nigeria	MTN Nigeria	Mobile Access	$1,481	MTN Group (82% / South Africa)	User fees
South Africa	Vodacom SAF	Mobile access	$674	Vodafone (50% / United Kingdom)	N/A
South Africa	Mobile Telecommunications Network (MTN)	Mobile access	$604	MTN Group (100% / South Africa)	N/A
Nigeria	Emerging Markets Telecommunications Services (EMTS)	Fixed access, mobile access, and long distance	$405	Emirates Telecommunications Corporation (Etisalat) (40% / United Arab Emirates), Mubadala Development Company (60% / United Arab Emirates)	User fees
Kenya	Safaricom	Mobile Access	$323	Vodafone (40% / United Kingdom)	N/A

4.5 East Asia and Pacific (EAP)

EAP attracted a low volume of PPI in 2013 (US$ 5.2 billion), but this level is characteristic for the region. Thailand and Indonesia attracted substantial PPI in 2013, as four of the five largest PPI projects in the region were in these countries. International sponsors are generally quite active in this region. In 2013, Telenor (Norway), Vimpelcorp (Russia) and Orascom (Egypt) were amid the top international sponsors in the region. The prime investor in the region by PPI volume was Singapore Telecom who sponsored three of the top deals.

East Asia and Pacific (EAP) Top 5 PPI Projects in 2013					
Country	**Project Name**	**Segment**	**US$ Million**	**Sponsors**	**Source of Revenue**
Indonesia	PT Telekomunikasi Selular	Mobile access	$1,044	Singapore Telecom (35% / Singapore)	N/A
Thailand	Advanced Information Services	Mobile access	$899	Singapore Telecom (20% / Singapore)	N/A
Phillipines	Globe Telecom	Fixed access, mobile access, and long distance	$735	Singapore Telecom (22% / Singapore), Asiacom Philippines Inc (54% / Philippines)	N/A
Indonesia	PT Indonesian Satellite Corporation	Fixed access, mobile access, and long distance	$728	Qatar Telecom (41% / Qatar)	N/A
Thailand	Total Access Communication (DTAC)	Mobile Access	$455	Telenor (30% / Norway), United Communication Industry (UCOM) (42% / Thailand)	N/A

4.6 Middle East and North Africa (MNA)

The Middle East and North Africa had the lowest share (US$ 3.1 billion) of telecom PPI in 2013. This was expected as the region has historically attracted the lowest telecom PPI over the last 15 years, and the political unrest in the region probably did not help either. The average project size is also relatively small, with the leading telecom project in 2013 (Wataniya Telecom) attracting only US$486 million in capital expenditures. The top projects were geographically distributed throughout the region. Sponsors were also geographically diverse, originating from the Middle East, Africa and Europe.

Middle East & North Africa (MNA) Top 5 PPI Projects in 2013					
Country	**Project Name**	**Segment**	**US$ Million**	**Sponsors**	**Source of Revenue**
Algeria	Wataniya Telecom Algerie	Mobile access	$486	Wataniya Telecom (80% / Kuwait), Gulf Investment Corporation (20% / Kuwait)	N/A
Morocco	Maroc Telecom	Fixed access, mobile access, and long distance	$441	Vivendi (53% / France)	User fees
Iraq	Asia Cell	Mobile access	$368	United Gulf Bank of Bahrain (.. / Bahrain), Qatar Telecom (30% / Qatar)	User fees
Iran, Islamic Rep.	MTN Irancell	Mobile access	$354	MTN Group (49% / South Africa)	User fees
Egypt, Arab Rep.	Vodafone Egypt	Mobile access	$350	Vodafone (55% / United Kingdom)	User fees

5. Emerging Trends

Every year, the number of new projects in telecom PPI is falling--from 53 new projects in 2001 to only three in 2013. Although the new projects have gone down in number, telecom PPI investment volume is still increasing. This may mean that the market may be saturated in terms of new entrants, but that there is still plenty of demand for services.

The telecom PPI investments are growing in mobile access sector and its share in telecom PPI is increasing year by year, with it comprising more than 50% of the global total in 2013. This trend is taking shape in all regions but Latin America, where there is still a significant demand for multi-service providers.