



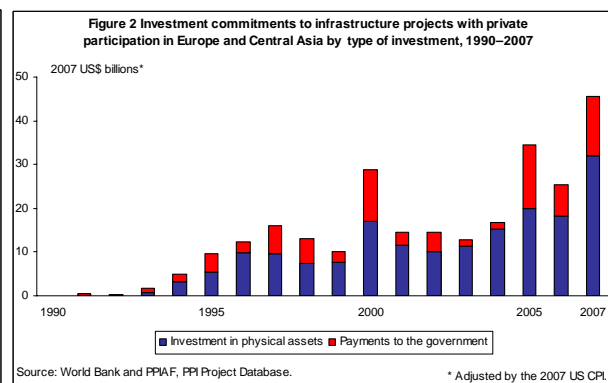
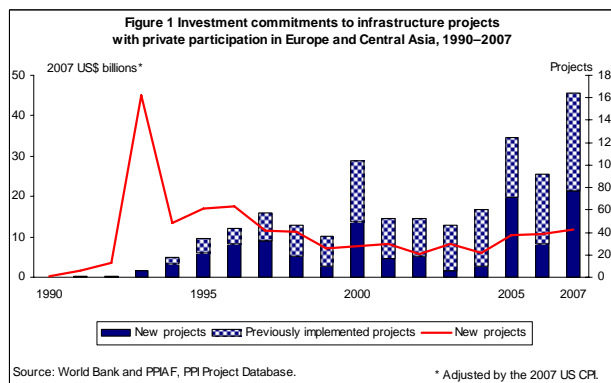
PPI data update note 15

December 2008

Investment commitments in Europe and Central Asia doubled in 2007

Investment commitments to infrastructure projects with private participation in Europe and Central Asia amounted to US\$45.5 billion in 2007, reaching a new peak, according to just-released data from the Private Participation in Infrastructure Project Database.¹ Europe and Central Asia accounted for 29% of the year's total investment commitments in developing countries, a larger share than any other developing region.

Investment commitments (hereafter, *investment*) in the region were almost twice those in 2006, thanks both to new projects and to projects implemented in previous years (figure 1). The 43 new projects accounted for US\$21.3 billion, while projects reaching financial closure in 1990–2006 attracted US\$24.2 billion. Investment in physical assets increased by almost 75% to US\$32 billion, accounting for 70% of the year's investment in the region (figure 2). Payments to the government (such as divestiture revenues and spectrum or concession fees) amounted to US\$13.6 billion, the second highest level in the region in 1990–2007.



Investment was driven by the Russian Federation, which accounted for 42% of investment in the region in 2007 (figure 3). Other countries with large shares were Romania (10%) and Turkey

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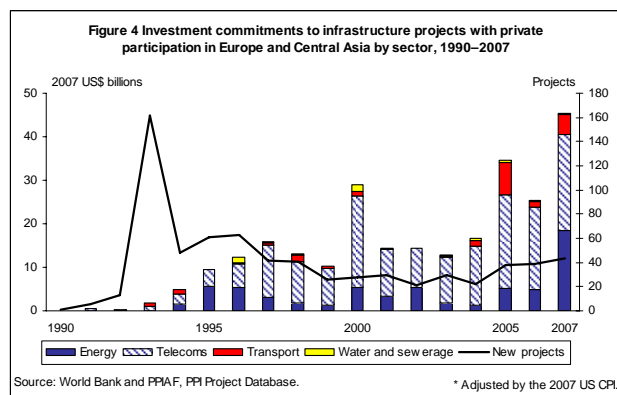
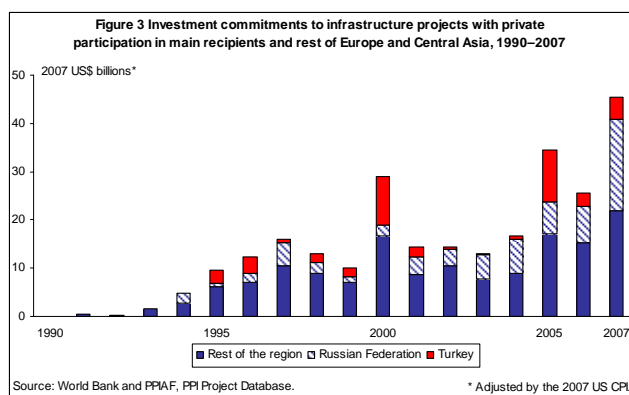
¹ Data on infrastructure projects with private participation include primarily medium-size and large projects as reported by the media and other public sources. Small-scale projects are generally not included because of lack of public information. Additional investments in some projects may have been omitted for the same reason. Barbados, the Czech Republic, Estonia, and Trinidad and Tobago became high-income countries according to the 2007 World Bank country classification (released in July 2007) and are therefore excluded from the PPI Project Database beginning with the 2007 update.

All dollar amounts in this note are expressed in 2007 U.S. dollars adjusted by using the 2007 U.S. consumer price index.

(10%). The rest (38%) was spread among 22 countries. Russia also had the largest number of new projects, with 14 of the 43, followed by Georgia (8), Romania (4), and Turkey (4).

Divestitures were the most common type of project, accounting for 57% of investment and 21 of the 43 new projects. Greenfield projects accounted for 36% of investment and 14 new projects (four build-operate-transfer [BOT] contracts, three build-own-operate [BOO] contracts, and seven merchant projects). There were three rehabilitate-operate-transfer (ROT) concessions: one for Shirak airport in Armenia, one for Mersin port in Turkey, and one for a container terminal at Batumi port in Georgia. The rest of the projects were leases and management contracts: leases for two airports (Antalya in Turkey and Batumi in Georgia) and a water utility (Otopeni in Romania), and management contracts for two airports (Sheremetyevo in Russia and Astana in Kazakhstan).

Activity by sector. Investment was concentrated in telecommunications (48%) and energy (41%) in 2007. In telecommunications, investment amounted to US\$21.8 billion, remaining in the peak range of US\$19–22 billion since 2005 (figure 4). In energy, investment amounted to US\$18.6 billion, a level never before seen in the region. In transport, investment totaled US\$4.7 billion, the second highest level in 1990–2007.



In *energy* 23 new projects were reported in six countries (table 1). Russia divested five generating companies with a total installed capacity of 25,000 megawatts (MW) and six electricity distribution companies, three of them serving 2.6 million connections and the other three having 7.1 million people in their service areas. Proceeds from the divestitures amounted to US\$11 billion. In addition, Russia implemented two power plants under BOO schemes with a total capacity of 680 MW. Bosnia and Herzegovina began constructing the 410-MW Stanari thermal power plant. Bulgaria divested the 400-MW Ruse thermal power plant and Slanchev Briag Electricity Distribution Company, with 3,000 connections. Georgia divested its national electricity distribution company (including the Adjara region), which serves 875,000 connections, and nine hydropower plants with a total installed capacity of 409 MW. Romania sold through its local stock exchange 10% of Transgaz, the state-owned natural gas transmission company. Turkey implemented two new natural gas distribution projects (one in Gaziantep and the other in Trakya).

In *telecommunications*, investment in previously implemented projects amounted to US\$21.2 billion. In addition, eight countries implemented eight new projects with investment of US\$622 million, bringing the total to US\$21.8 billion. Albania sold 76% of Albtelecom, the state-owned incumbent operator providing fixed, mobile, and long-distance services, to a consortium led by Turk Telekom. Six other countries granted mobile licenses to new operators—Georgia, the former Yugoslav Republic of Macedonia, Moldova, Montenegro, Serbia (in Kosovo), and the Slovak Republic. Romania issued a multiservice license to a new operator.

In *transport* seven countries implemented nine contracts, six relating to airports. In Armenia the government signed a 24-year concession contract for Shirak Airport. In Georgia a 20-year lease

contract for Batumi International Airport and a 48-year concession for the Batumi container terminal were implemented. In Hungary the government signed a 30-year BOT contract for expanding and operating two sections of the M6 and M60 motorways. Under the contract the government will receive the toll revenues and pay the concessionaire a fixed annuity. In Kazakhstan a 10-year management contract was signed for Astana International Airport. In Russia a management contract for Sheremetyevo International Airport Terminal II became effective. In Turkey a 17-year lease contract was signed for Antalya Airport, and a 36-year concession contract for the port of Mersin. The second contract was awarded in 2005, but resolving legal challenges took two years.

In *water and sewerage* three countries implemented one new contract each. In Georgia the Tbilisi water system was fully divested, involving investment of US\$435 million. In Poland the city of Toszek divested 50% of its water utility. In Romania a 25-year lease contract was signed for the water and sewerage utility of the town of Otopeni.

Potential projects. There are at least 12 projects that were awarded in 2007 but did not reach financial or contractual closure before the end of the year. Three of these potential projects are in energy: the sale of a controlling stake in Electrica Muntenia Sud (Bucharest's electricity distribution company), a 3,000-MW greenfield power plant in Russia, and the merchant 919-MW Bandirma gas-fired power plant in Turkey. Three are in telecommunications: two mobile operators in Poland and another in Tajikistan. And six are in transport: two airport concessions in Kazakhstan and Turkey, two port concessions in Turkey, and two road concessions in Bulgaria and Bosnia and Herzegovina.

Canceled and distressed projects. In 2007 the region had one project canceled, in Russia, bringing the total number of those canceled or distressed by 2007 to 21. These contracts represent 3% of all infrastructure projects with private participation, and 2% of investment commitments, in the region in 1990–2007.

The canceled project in Russia was in the municipality of Tomsk, which terminated the 49-year lease contract for the city's water and wastewater services, signed in 2003. The municipality cited the utility's deteriorating financial health and service quality as the reason for terminating the contract.

Concluded projects. Four management contracts were concluded in 2007. Three were for water utilities: one in the cities of Gjakova and Rahovec (Serbia), another in the cities of Bukhara and Samarkand (Uzbekistan), and the third in the city of Kavaja (Albania). The other concluded management contract was for a power plant in St. Petersburg (Russia).

Table 1 Infrastructure projects with private participation reaching financial or contractual closure in Europe and Central Asia in 2007

Note: .. = not available; n.a. = not applicable.

Energy										
	Country	Project name	Subsector	PPI type (subtype)	Private equity (%)	Investment commitments (US\$ millions)		Capacity size and type	Contract period (years)	Main sponsors
						Payments to the government	Physical assets			
1	Bosnia and Herzegovina	Stanari Thermal Power Plant	Electricity	Greenfield project (BOO)	100	0	800	410 MW	30	Energy Financing Team (EFT) (100%, United Kingdom)
2	Bulgaria	Ruse Thermal Power Plant	Electricity	Divestiture (partial)	100	117	0	400 MW	n.a.	Mechel (49%, Russian Federation), Holding Slovenske Elektrarne (HSE) (51%, Slovenia)
3	Bulgaria	Slanchev Briag Electricity Distribution Company	Electricity	Divestiture (full)	100	32	0	3,000 connections	n.a.	Energie Versorgung Niederosterreich (EVN) AG (100%, Austria)
4	Georgia	Chkhori and Kinkisha Hydropower Plants	Electricity	Divestiture (partial)	73.9	1.9	0	6 MW	n.a.	Bonaser Trading Limited (74%, Georgia)
5	Georgia	Energo-Pro Hydro Plant (Lajanuri, Rioni, Gumati, Shaori, Dzevrula, and Ats)	Electricity	Divestiture (full)	100	91	185	361 MW	n.a.	Energo-Pro a.s. (100%, Czech Republic)
6	Georgia	United Energy Distribution Company of Georgia (UEDC) and Distribution Company of Adjara (EDCA)	Electricity	Divestiture (full)	100	38.8	100	875,000 connections	n.a.	Energo-Pro a.s. (100%, Czech Republic)
7	Georgia	Zahesi Hydropower Plant	Electricity	Divestiture (full)	100	0	41	42 MW	n.a.	Bonaser Trading Limited (100%, Georgia)
8	Romania	Romanian gas transmission company (Transgaz)	Natural gas	Divestiture (partial)	10	2,600	0	12,200 km	n.a.	..
9	Russian Federation	Kirov Energy Sales Company – OAO KirovEnergoSbyt	Electricity	Divestiture (partial)	100	12	0	640,000 connections	n.a.	Wilmington Investments Ltd. (18%, Russian Federation), Integrated Energy Systems Holding (IES) (48%, Russian Federation)

10	Russian Federation	Kozhukhovo Power Plant	Electricity	Greenfield project (BOO)	100	0	500	340 MW	49	The Zorlu Group (51%, Turkey), Invar International Inc. (49%, United States)
11	Russian Federation	Kuzbass Energy Sales Company – KuzbassEnergoSbyt	Electricity	Divestiture (partial)	72	44	0	2.85 million people	n.a.	Mechel (72%, Russian Federation)
12	Russian Federation	Nizhegorod Energy Sales Company – Nizhnovenergosbyt	Electricity	Divestiture (partial)	100	79	0	1.3 million people	n.a.	Depository Clearing Company (DCC) (32%, Russian Federation), Transneftservice-S LLC (49%, Russian Federation)
13	Russian Federation	Orenburg Energy Sales Company – OrenburgEnergoSbyt	Electricity	Divestiture (partial)	100	42.6	0	725,000 connections	n.a.	Integrated Energy Systems Holding (IES) (100%, Russian Federation)
14	Russian Federation	Perm Energy Sales Company – PermEnergoSbyt	Electricity	Divestiture (partial)	100	51	0	3 million people	n.a.	Integrated Energy Systems Holding (IES) (36%, Russian Federation), Center Nadezhnosti (49%, Russian Federation)
15	Russian Federation	Sverdlov Energy Sales Company – SverdlovEnergoSbyt	Electricity	Divestiture (partial)	49	44.6	0	1.29 million people	n.a.	Integrated Energy Systems Holding (IES) (49%, Russian Federation)
16	Russian Federation	Taimyrenengo OAO	Electricity	Divestiture (full)	100	271	0	1,041 MW	n.a.	Noriilsk Nickel (100%, Russian Federation)
17	Russian Federation	Tereshkovo Power Plant	Electricity	Greenfield project (BOO)	100	0	500	340 MW	49	The Zorlu Group (51%, Turkey), Invar International Inc. (49%, United States)
18	Russian Federation	Territorial Generating Company TGK-5	Electricity	Divestiture (partial)	75	450	0	2,467 MW	n.a.	Integrated Energy Systems Holding (IES) (41%, Russian Federation)
19	Russian Federation	Territorial Generating Company-12 (TGK-12)	Electricity	Divestiture (partial)	57.9	0	304	4,407 MW	n.a.	Siberian Coal Energy Company (SUEK) (44%, Russian Federation)
20	Russian Federation	Wholesale Generating Company OAO OGG-3	Electricity	Divestiture (partial)	64.8	954	3,080	8,500 MW	n.a.	Noriilsk Nickel (65%, Russian Federation)
21	Russian Federation	Wholesale Generating Company OAO OGG-4	Electricity	Divestiture (partial)	70	3,900	1,800	8,630 MW	n.a.	E.ON (70%, Germany)
22	Turkey	Gaziantep Gas Distribution Company	Natural gas	Greenfield project (BOT)	100	0	60	..	30	The Zorlu Group (100%, Turkey)
23	Turkey	Trakya Gas Distribution Company	Natural gas	Greenfield project (BOT)	100	1.9	0	..	30	The Zorlu Group (100%, Turkey)

Telecommunications										
	Country	Project name	Segment	PPI type (subtype)	Private equity (%)	Investment commitments (US\$ millions)		Capacity size and type	Contract period (years)	Main sponsors
						Payments to the government	Physical assets			
1	Albania	Albtelecom	Fixed and mobile access	Divestiture (partial)	76	161	0	250,000 connections	n.a.	Calik Holding (..%, Turkey), Turk Telekom (..%, Turkey)
2	Georgia	GeoComInvest	Mobile access	Greenfield project (merchant)	100	10.2	0	GeoComInvest (100%, Georgia)
3	Macedonia, FYR	VIP Macedonia	Mobile access	Greenfield project (merchant)	100	14	57	141,000 connections	15	Telekom Austria Group (100%, Austria)
4	Moldova	Eventis Mobile	Mobile access	Greenfield project (merchant)	100	8	35	100,000 connections	10	Eventis Telecom Holding (100%, Cyprus)
5	Montenegro	Mtel	Mobile access	Greenfield project (merchant)	100	21.5	0	260,000 connections	15	Telekom Srbija (51%, Serbia)
6	Romania	RCS & RDS	Fixed and mobile access	Greenfield project (merchant)	100	35	0	200,000 connections	15	RCS & RDS (100%, Romania)
7	Serbia	Second mobile license in Kosovo	Mobile access	Greenfield project (merchant)	100	99	176	Telekom Slovenije (..%, Slovenia), IPCO International Ltd. (..%, Singapore)
8	Slovak Republic	Telefonica O2	Mobile access	Greenfield project (merchant)	100	5.7	0	565,000 connections	..	Telefonica SA (100%, Spain)

Transport

	Country	Project name	Subsector	PPI type (subtype)	Private equity (%)	Investment commitments (US\$ millions)		Capacity size and type	Contract period (years)	Main sponsors
						Payments to the government	Physical assets			
1	Armenia	Shirak Airport Concession	Airports	Concession (ROT)	100	0	10	1 runway	24	Corporacion America (CASA) (100%, Argentina)
2	Georgia	Batumi International Airport	Airports	Lease contract	100	28.5	0	1 runway	20	TAV Airports Holding Co. (60%, Turkey), Urban (30%, Turkey)
3	Georgia	Batumi International Container Terminal	Seaports	Concession (ROT)	100	31	0	100,000 throughput	48	International Container Terminal Services Inc. (ICTSI) (100%, Philippines)
4	Hungary	M6 & M60 Motorway Expansion	Roads	Greenfield project (BOT)	100	0	1,588	80 km	30	Strabag Austria (30%, Austria), Bouygues (15%, France), Colas SA (15%, France), John Laing Infrastructure Ltd. (30%, United Kingdom)
5	Kazakhstan	Astana International Airport	Airports	Management contract	100	0	0	1 runway	10	Malaysia Airports Holding Berhad (MAHB) (100%, Malaysia)
6	Romania	Brasov-Ghimbav International Airport	Airports	Greenfield project (BOT)	100	0	116.8	1 runway	40	Intelcan Technosystems Inc. (63%, Canada)
7	Russian Federation	Sheremetyevo International Airport Terminal II	Airports	Management contract	49	0	0	1 runway	..	Changi Airports International Pte Ltd. (CAI) (49%, Singapore)
8	Turkey	Antalya Airport Contract	Airports	Lease contract	100	0	1,556	3 runways	17	Fraport AG (51%, Germany), IC Holding (49%, Turkey)
9	Turkey	Port of Mersin Concession	Seaports	Concession (ROT)	100	755	70	800,000 throughput	36	PSA Corp (..%, Singapore), Akfen Holding (..%, Turkey)

Water and sewerage										
	Country	Project name	Subsector	PPI type (subtype)	Private equity (%)	Investment commitments (US\$ millions)		Capacity size and type	Contract period (years)	Main sponsors
						Payments to the government	Physical assets			
1	Georgia	Tbilisi Water System	Utilities	Divestiture (full)	100	85	350	1.1 million people	n.a.	Multiplex Solution (100%, Switzerland)
2	Poland	ZGKiM Toszek	Utilities	Divestiture (partial)	50	0	0	1,900 connections	n.a.	Remondis (50%, Germany)
3	Romania	Otopeni Water and Sewerage System	Utilities	Lease contract	100	0	0	2,000 connections	25	Veolia Environnement (100%, France)