

PRIVATE PARTICIPATION IN INFRASTRUCTURE DATABASE

PPI data update note 19

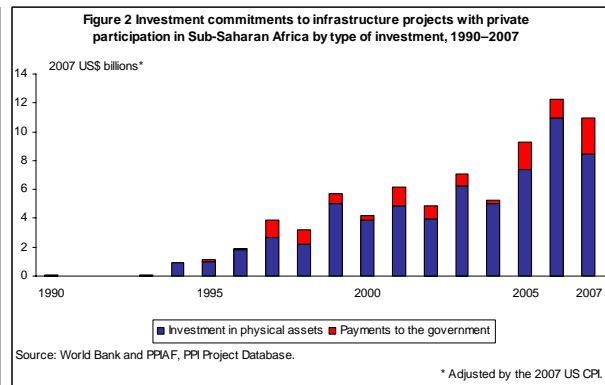
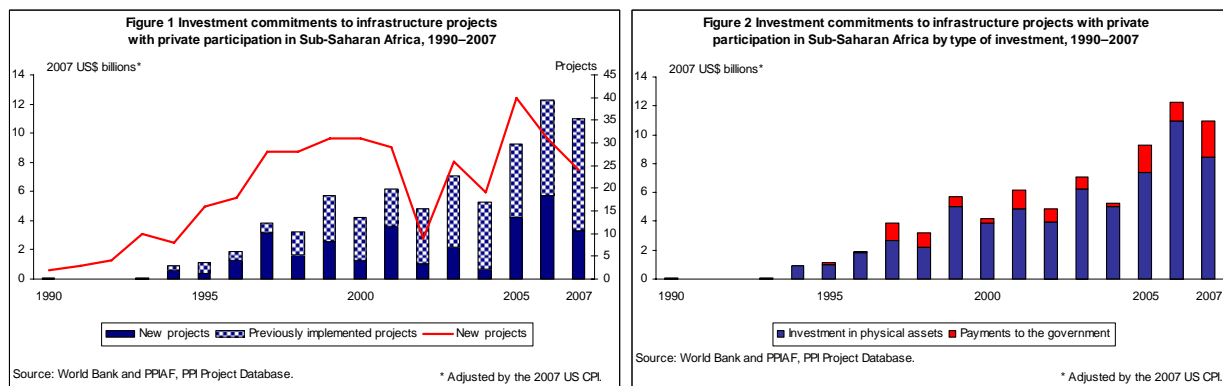
December 2008

Investment commitments in Sub-Saharan Africa stayed at a peak level in 2007

Investment commitments to infrastructure projects with private participation in Sub-Saharan Africa amounted to almost US\$11 billion in 2007, the second highest level since 1990, according to just-released data from the Private Participation in Infrastructure Project Database.¹ The region accounted for 7% of the year's total investment commitments in developing countries.

Investment commitments (hereafter, *investment*) in 2007 were down 10% from the level in 2006, the highest in 1990–2007. The regional peak in that year, however, was driven in part by an unusually large project: the US\$3.4 billion Gautrain light rail project in South Africa, which had government cash support of around US\$3 billion. If that project were excluded, investment in 2007 would be the highest ever in the region.

Investment in 2007 was driven mostly by projects implemented in previous years (figure 1). Projects reaching financial closure in 1990–2006 attracted US\$7.6 billion, while the 24 new projects implemented in 2007 accounted for US\$3.3 billion. Investment in physical assets declined by 22% to US\$8.5 billion, still the second highest level ever (figure 2). Payments to governments (such as divestiture revenues and spectrum or concession fees) almost doubled to reach a peak level of US\$2.5 billion, about 23% of annual investment.



This note was produced by Ada Karina Izaguirre, infrastructure specialist, and Edouard Perard, consultant, Finance, Economics, and Urban Development Department, Sustainable Development Network, World Bank.

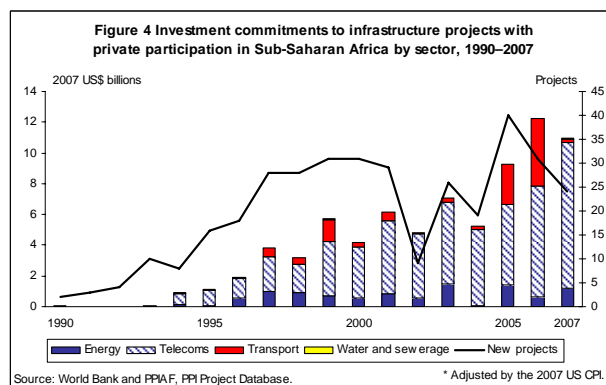
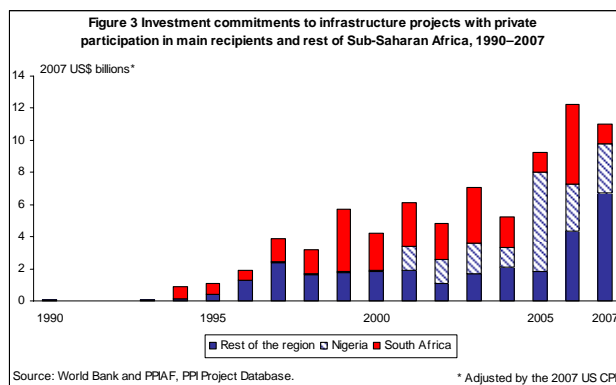
¹ Data on infrastructure projects with private participation include primarily medium-size and large projects as reported by the media and other public sources. Small-scale projects are generally not included because of lack of public information. Additional investments in some projects may have been 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.

Investment in the region was dominated by Nigeria (with 28% of the total in 2007) and South Africa (11%). These two countries have been predominant in regional investment since the end of the 1990s (figure 3).

Greenfield projects (rental contracts, merchant projects, and build, operate, transfer [BOT] contracts) were the most common, representing 83% of investment in 2007 and 15 of the 24 new projects. Five divestitures accounted for another 15% of investment. In addition, the region had one lease contract and three concessions (rehabilitate, operate, transfer [ROT] contracts), together representing less than 3% of investment.

Activity by sector. As in previous years, telecommunications attracted the largest share of investment in 2007 (86%). Investment in this sector increased by 31% to US\$9.5 billion, the highest level since 1990 (figure 4). In energy, investment amounted to US\$1.2 billion, the third highest level since 1990. In transport, investment fell from a US\$4.3 billion peak in 2006 to US\$187 million in 2007. As suggested, however, that peak was driven by the South African Gautrain light rail project. In water and sewerage, investment totaled US\$121 million.



In *energy* five countries implemented six new projects (table 1). Gabon signed a rental contract for emergency power plants in Bellevue and Owendo with a total capacity of 30 megawatts (MW). Ghana signed a 20-year concession contract for the 125-MW Osagyefo power barge. Nigeria sold a 51% stake in the 1,320-MW Egbin power plant to Korea Electric Power Company (KEPCO). Sierra Leone signed a rental contract for a 15-MW emergency power plant in Freetown. Uganda signed a rental contract for a 50-MW thermal plant at Mutundwe and closed on financing for the 250-MW Bujagali hydropower plant, for which a BOT contract had been awarded in 2005 to a consortium led by the U.S. Sithe Global Power.

In *telecommunications* 13 countries implemented 14 new projects involving investment of US\$1.8 billion. In addition, investment in previously implemented projects amounted to US\$7.6 billion, bringing the total to US\$9.4 billion. Payments to governments represented 23% of that total. Of the 14 new projects, 4 were divestitures. Gabon sold 51% of Gabon Telecom, the incumbent national operator, to Maroc Telecom. Ghana divested 75% of the multiservice operator Westel; the company had become fully state owned in 2005 when the U.S. ACG Telesystems sold its stake to Ghana National Petroleum Corporation after disputes over sector regulations and company management. Kenya sold a 51% stake in Telkom Kenya, the incumbent fixed-line operator, to France Telecom for US\$390 million. Rwanda divested 80% of Rwandatel, the national mobile and fixed-line operator, to Libya Africa Portfolio for Investments.

The other 10 new projects were greenfield merchant projects for mobile service or multiservice operation. These brought a fifth mobile operator in Benin (Globacom Benin), a

second mobile operator in the Central African Republic (Orange Centrafrique), a new mobile operator in Guinea (Orange Guinea), a mobile license in Guinea-Bissau (Orange Bissau), a second mobile license in Namibia (Powercom), a multiservice operator in Niger (Orange Niger), a multiservice operator and another mobile one in Nigeria (Emerging Markets Telecommunications Services and Alheri Engineering), a multiservice operator in Senegal (Sudatel Senegal), and another in Uganda (Warid Telecom Uganda).

In *transport* two countries reported new projects. Angola signed a 20-year concession contract for the Luanda container terminal with a consortium led by AP Moller–Maersk Group. Tanzania signed a 25-year concession contract for Tanzania Railways with Rail India Technical and Economic Services (RITES). The contract had been awarded in 2005.

In *water and sewerage* two countries reported private activity. Cameroon signed a 10-year lease-*affermage* contract for the national water utility. Sudan implemented a BOT contract for a water treatment plant in Omdurman, near Khartoum.

Potential projects. The region has at least 18 projects that were awarded in 2007 but did not reach financial or contractual closure before the end of the year. Ten of these potential projects are in energy, all for greenfield power plants: a 90-MW diesel plant in Angola, the 200-MW Memve'ele hydropower plant in Cameroon, the 14-MW Aja Fatou A Bojang power plant in The Gambia, a 90-MW diesel power plant at Kipevu in Kenya, a 90-MW wind power facility in Namibia, a 188-MW gas-fired power plant at Aba in Nigeria, a 50-MW gas-fired power plant in Rwanda, two power plants for 1,080 MW in South Africa, a 100-MW gas-fired power plant in Togo, and a 50-MW rental contract in Uganda. In transport there are four potential projects: three railway contracts—in the Democratic Republic of Congo, Ghana, and Zambia—and a seaport project in Gabon. In telecommunications there are also four: one new mobile operator in Benin, two in Burundi, and a multiservice license in Uganda.

Canceled and distressed projects. In 2007 two projects were canceled, bringing the total number of those canceled or distressed in the region to 31. These contracts represent 8.7% of all infrastructure projects with private participation, and 2.8% of investment commitments, in the region in 1990–2007.

The two canceled projects were in Mozambique and Rwanda. Citing contractual violations, Mozambique terminated a 20-year concession to generate and distribute electricity in the rural areas of Inhambane and Sofala Provinces, signed in 2004. The Rwandese government bought back Rwandatel, the national mobile and fixed-line operator, from the U.S. Terracom Communications, which had acquired 99% of the company in 2005. A few months later the government divested Rwandatel for a second time.

Concluded projects. One project with private participation was concluded in 2007: a two-year management contract for Jiro sy Rano Malagasy, the state-owned electricity and water utility in Madagascar. The government took over control of the utility, indicating plans to keep it as a state-run company.

Table 1 Infrastructure projects with private participation reaching financial or contractual closure in Sub-Saharan Africa 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	Gabon	Aggreko Bellevue and Owendo Power Plant	Electricity	Greenfield project (rental)	100	0	0	30 MW	..	Aggreko Plc (100%, United Kingdom)
2	Ghana	Osagyefo Power Barge	Electricity	Concession (ROT)	100	0	100	125 MW	20	Balkan Energy Company (100%, United States)
3	Nigeria	Egbin Power Plant	Electricity	Divestiture (partial)	51	280	0	1,320 MW	n.a.	Korea Electric Power Company (KEPCO) (16%, Korea, Rep. of), Energy Resources Ltd (36%, United Kingdom)
4	Sierra Leone	GTG Freetown 15-MW Emergency Power	Electricity	Greenfield project (rental)	100	0	1.18	15 MW	1	Global Trading Group NV (GTG) (100%, Belgium)
5	Uganda	Bujagali Hydro Project	Electricity	Greenfield project (BOT)	88.3	0	799	250 MW	30	Sithe Global Power (58%, United States), Aga Khan Fund (31%, Switzerland)
6	Uganda	Aggreko Mutundwe Thermal Plant Project	Electricity	Greenfield project (rental)	100	0	11.8	50 MW	3	Aggreko Plc (100%, United Kingdom)

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	Benin	Globacom Benin	Mobile access	Greenfield project (merchant)	100	69	0	..	10	Globacom (100%, Nigeria)
2	Central African Republic	Orange Centrafrique	Mobile access	Greenfield project (merchant)	100	12	0	33,000 connections	..	France Telecom (100%, France)

3	Gabon	Gabon Telecom	Fixed and mobile access, and long distance	Divestiture (partial)	51	79	14.4	410,000 connections	n.a.	Maroc Telecom (51%, Morocco)
4	Ghana	Westel	Fixed and mobile access, and long distance	Divestiture (partial)	75	120	0	..	n.a.	Zain (75%, Kuwait)
5	Guinea	Orange Guinea	Mobile access	Greenfield project (merchant)	100	0	0	185,000 connections	15	Sonatel (100%, Senegal)
6	Guinea-Bissau	Orange Bissau	Mobile access	Greenfield project (merchant)	100	6.8	19.7	36,000 connections	10	Sonatel (100%, Senegal)
7	Kenya	Telkom Kenya	Fixed access and long distance	Divestiture (partial)	51	390	0	280,000 connections	n.a.	France Telecom (40%, France)
8	Namibia	Powercom (Pty) Limited	Mobile access	Greenfield project (merchant)	100	8.5	0	..	..	Nampower (37%, Namibia), Telecom Management Partner AS (39%, Norway)
9	Niger	Orange Niger	Fixed access, mobile access, and long distance	Greenfield project (merchant)	100	72	0	..	..	France Telecom (80%, France)
10	Nigeria	Alheri Engineering Limited	Mobile access	Greenfield project (merchant)	100	150	0	..	..	Dangote Group (100%, Nigeria)
11	Nigeria	Emerging Markets Telecommunications Services (EMTS)	Fixed and mobile access, and long distance	Greenfield project (merchant)	100	400	0	..	15	Mubadala Development Company (60%, United Arab Emirates), Emirates Telecommunications Corporation (Etisalat) (40%, United Arab Emirates)
12	Rwanda	Rwandatel, Second Divestiture	Fixed and mobile access, and long distance	Divestiture (partial)	80	100	0	..	n.a.	Libya Africa Portfolio for Investments (LAP) (80%, Libya)
13	Senegal	Sudatel Senegal	Fixed and mobile access, and long distance	Greenfield project (merchant)	100	200	0	..	..	Sudatel Group (100%, Sudan)
14	Uganda	Warid Telecom Uganda Limited	Fixed and mobile access, and long distance	Greenfield project (merchant)	100	0	200	..	..	Abu Dhabi Group (100%, United Arab Emirates)

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	Angola	Luanda Container Terminal	Seaports	Concession (ROT)	100	0	53	..	20	AP Moller-Maersk Group (51%, Denmark), Gesto de Fundos (49%, Angola)
2	Tanzania	Tanzania Railways	Railroads	Concession (ROT)	51	23	111	2,700 km	25	Rail India Technical and Economic Services (RITES Ltd.) (51%, India)

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	Cameroon	Camerounaise des Eaux	Utilities	Lease contract	n.a.	0	0	194,000 connections	10	Delta Holding SA (33%, Morocco), Office National de l'Eau Potable (ONEP) (33%, Morocco), Caisse de Dépôt et de Gestion (33%, Morocco), Ingema (1%, Morocco)
2	Sudan	Omdurman Water Treatment Plant	Treatment plants	Greenfield project (BOT)	49	0	120.7	200,000 cubic meters per day	13	Biwater (49%, United Kingdom)